

Paragonah Town

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023

Paragonah Town
TABLE OF CONTENTS
June 30, 2023

	<u>Beginning on page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND	4
ANALYSIS BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Position - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Notes to Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	45
Notes to Required Supplementary Information	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	48
Schedule of the Proportionate Share of the Net Pension Liability	49
Schedule of Contributions	50
OTHER COMMUNICATIONS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the <i>State Compliance Audit Guide</i>	53



INDEPENDENT AUDITOR'S REPORT

To the Town Council and Mayor
Paragonah Town, Utah

Opinions

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 Paragonah Town, Utah as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Paragonah, Utah's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paragonah Town, Utah as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2023, on our consideration of the Town of Paragonah Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Paragonah Utah's 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 Town of Paragonah Utah's internal control over financial reporting and compliance.

Rees CPA

Rees CPA
Cedar City, Utah
December 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

As management of Paragonah Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- *Total net position for the Town as a whole increased by \$188,128
- *Total unrestricted net position for the Town as a whole increased by \$99,469
- *Total net position for governmental activities increased by \$93,670
- *Total net position for business-type activities increased by \$94,458

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Paragonah Town. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

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

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

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

The Town maintains two major governmental funds, the general fund and the perpetual care fund.

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

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

Proprietary funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses two enterprise funds to account for the operations of the water and electric utilities.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS

Paragonah Town's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 712,555	583,227	1,337,464	1,178,133	2,050,020	1,761,360
Net capital assets	125,159	145,008	769,634	829,211	894,793	974,219
Deferred outflows of resources	13,339	4,463	9,660	3,232	22,999	7,695
Total assets and deferred outflows	\$ 851,054	732,698	2,116,758	2,010,575	2,967,812	2,743,273
Long-term debt outstanding	\$ -	-	26,000	51,000	26,000	51,000
Other liabilities	52,248	58,096	44,794	29,262	97,042	87,358
Deferred inflows of resources	43,580	178,734	74	98,861	43,653	277,595
Total liabilities and deferred inflows	95,828	236,830	70,867	179,124	166,695	415,954
Net position:						
Net investment in						
capital assets	125,159	145,008	743,634	778,211	868,793	923,219
Restricted	225,040	158,611	103,346	26,690	328,386	185,301
Unrestricted	405,027	357,937	1,198,910	1,146,532	1,603,938	1,504,469
Total net position	\$ 755,226	661,556	2,045,891	1,951,432	2,801,117	2,612,988

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$2,801,117, an increase of \$188,128 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year are \$1,603,938 which represents an increase of \$99,469 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

Paragonah Town's Change in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Program revenues:						
Charges for services	\$ 64,414	58,221	457,627	353,953	522,042	412,174
Operating grants	80,316	74,251	-	-	80,316	74,251
Capital grants	58,653	60,918	71,792	-	130,445	60,918
General revenues:						
Property taxes	49,394	52,680	-	-	49,394	52,680
Sales tax	100,815	89,673	-	-	100,815	89,673
Other taxes	1,116	1,081	-	-	1,116	1,081
Unrestricted investment earnin	9,093	1,914	20,338	2,630	29,431	4,544
Other revenues	1,949	5,093	-	-	1,949	5,093
Total revenues	365,748	343,831	549,757	356,582	915,506	700,414
Expenses:						
General government	136,935	37,042	-	-	136,935	37,042
Public safety	75,286	67,849	-	-	75,286	67,849
Highways and streets	24,017	73,495	-	-	24,017	73,495
Culture and recreation	13,491	7,767	-	-	13,491	7,767
Cemtery	22,349	21,342	-	-	22,349	21,342
Water	-	-	97,389	71,184	97,389	71,184
Drainage	-	-	357,910	264,681	357,910	264,681
Total expenses	272,078	207,496	455,299	335,865	727,378	543,361
Change in net position	\$ 93,670	136,336	94,458	20,717	188,128	157,053

For the Town as a whole, total revenues increased by \$215,092 compared to the previous year, while total expenses increased by \$184,017. The total net change of \$188,128 is, in private sector terms, the net income for the year which is \$31,075 more than the previous year.

Governmental activities revenues of \$365,748 is an increase of \$21,917 from the previous year. This is primarily due to an increase in charges for services and interest income. Governmental activities expenses of \$272,078 is an increase of \$64,582 from the previous year. While highway and streets expenses decreased, all other department expenses increased.

Business-type activities revenue of \$549,757 is an increase of \$193,175 from the previous year. Service revenues increased by \$103,674. Business-type activities expenses of \$455,299 is an increase of \$119,434 from the previous year. This is due to an overall increase in operation expenses.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$496,494 reflects an increase of \$147,062 from the previous year. Total revenues increased by \$14,218. Tax revenues, including property taxes and sales taxes, increased by \$7,891. Intergovernmental revenue increased by \$1,208. Revenues from charges for services increased by \$3,229. Impact fees revenue increased by \$2,592. All other revenues decreased by \$702.

Total expenditures decreased by \$45,672. General government expenditures decreased by \$178, public safety expenditures increased by \$7,437, highways and streets expenditures decreased by \$59,663, culture and recreations expenditures increased by \$5,725, and cemetery expenditures increased by \$1,007.

Fund balance restricted for Class C roads and construction amounted to \$164,672 and \$10,368, respectively. The unassigned fund balance amounts to \$321,454.

Water Fund

The change in net position (income) was \$132,930, which was \$108,223 more than the prior year's change in net position. Net position restricted for impact fees and ARPA was \$26,656 and \$50,000, respectively. Unrestricted net position amounts to \$874,381.

Electric Fund

The change in net position (loss) was \$38,472, which was \$34,482 less than the previous year's change in net position. Net position restricted for debt service was \$26,690. Unrestricted net position amounts to \$324,530.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$382,145. This amount was amended in the final budget to \$391,198. Actual revenues amounted to \$349,011.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$283,069. This amount was amended in the final budget to \$292,122. Actual expenditures amounted to \$204,542.

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Paragonah Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Capital Assets:						
Land and water rights	\$ -	-	10,200	10,200	10,200	10,200
Buildings	205,320	205,320	-	-	205,320	205,320
Improvements	55,459	55,459	-	-	55,459	55,459
Water system	-	-	844,530	844,530	844,530	844,530
Electric system	-	-	647,504	647,504	647,504	647,504
Machinery and equipment	447,444	447,444	201,915	201,915	649,359	649,359
Vehicles	465,925	465,925	-	-	465,925	465,925
Work in progress	-	-	-	-	-	-
Total capital assets	1,174,148	1,174,148	1,704,150	1,704,150	2,878,297	2,878,297
Less accumulated depreciation	(1,048,988)	(1,029,140)	(934,516)	(874,939)	(1,983,504)	(1,904,079)
Net capital assets	\$ 125,159	145,008	769,634	829,211	894,793	974,218

The total amount of capital assets, net of depreciation, of \$894,793 is a decrease of \$79,425 from the previous year.

Governmental activities capital assets, net of depreciation, of \$125,159 is a decrease of \$19,848 from the previous year.

Business-type activities capital assets, net of depreciation, of \$769,634 is a decrease of \$59,577 from the previous year.

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

Paragonah Town
Management's Discussion and Analysis
June 30, 2023

Paragonah Town's Outstanding Debt

	Current Year	Previous Year
Business-type activities:		
2008 Electric Revenue	\$ 26,000	51,000
Total business-type	\$ 26,000	51,000
Total outstanding debt	\$ 26,000	51,000

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Paragonah Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Paragonah town, 44 North 100 West, P.O. Box 600247, Paragonah, Utah 84760.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

Paragonah Town
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 321,526	1,159,823	1,481,348
Accounts receivable, net	68,409	67,059	135,468
Total current assets	<u>389,935</u>	<u>1,226,881</u>	<u>1,616,816</u>
Non-current assets:			
Restricted cash and cash equivalents	322,621	110,583	433,203
Capital assets:			
Not being depreciated	-	10,200	10,200
Net of accumulated depreciation	125,159	759,434	884,593
Net pension asset	-	-	-
Total non-current assets	<u>447,780</u>	<u>880,217</u>	<u>1,327,996</u>
Total assets	<u>837,715</u>	<u>2,107,098</u>	<u>2,944,813</u>
Deferred outflows of resources - pensions	13,339	9,660	22,999
Total assets and deferred outflows of resources	<u>\$ 851,054</u>	<u>2,116,758</u>	<u>2,967,812</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 24,951	25,026	49,977
Long-term debt due within one year	-	26,000	26,000
Total current liabilities	<u>24,951</u>	<u>51,026</u>	<u>75,977</u>
Non-current liabilities:			
Long-term debt due after one year	-	-	-
Net pension liability	27,298	19,767	47,065
Total non-current liabilities	<u>27,298</u>	<u>19,767</u>	<u>47,065</u>
Total liabilities	<u>52,248</u>	<u>70,794</u>	<u>123,042</u>
Deferred inflows of resources - property taxes	43,478	-	43,478
Deferred inflows of resources - pensions	102	74	175
Total liabilities and deferred inflows of resources	<u>95,828</u>	<u>70,867</u>	<u>166,695</u>
NET POSITION:			
Net investment in capital assets	125,159	743,634	868,793
Restricted for:			
Debt service	-	26,690	26,690
Impact fees	10,368	26,656	37,024
ARPA	-	50,000	50,000
Class C roads	164,672	-	164,672
Perpetual care	50,000	-	50,000
Unrestricted	405,027	1,198,910	1,603,938
Total net position	<u>755,226</u>	<u>2,045,891</u>	<u>2,801,117</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 851,054</u>	<u>2,116,758</u>	<u>2,967,812</u>

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

Paragonah Town
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 136,935	1,193	(2,988)	-	(138,730)
Public safety	75,286	785	77,346	-	2,845
Highways and streets	24,017	46,036	-	57,811	79,830
Culture and recreation	13,491	16,400	5,957	842	9,708
Cemetery	22,349	-	-	-	(22,349)
Total governmental activities	272,078	64,414	80,316	58,653	(68,696)
Business-type activities:					
Water	97,389	165,381	-	59,996	127,988
Electric	357,910	292,246	-	11,796	(53,868)
Total business-type activities	455,299	457,627	-	71,792	74,120
Total primary government	\$ 727,378	522,042	80,316	130,445	5,424

(continued on next page)

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

Paragonah Town
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2023

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (68,696)	74,120	5,424
General revenues:			
Property taxes	49,394	-	49,394
Sales tax	100,815	-	100,815
Other taxes	1,116	-	1,116
Unrestricted investment earnings	9,093	20,338	29,431
Miscellaneous	1,949	-	1,949
Total general revenues	162,366	20,338	182,704
Change in net position	93,670	94,458	188,128
Net position - beginning	661,556	1,951,433	2,612,988
Net position - ending	\$ 755,226	2,045,891	2,801,117

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

Paragonah Town
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Perpetual Care	Nonmajor Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 321,473	-	52	321,526
Receivables:				-
Customer accounts	3,503	-	-	3,503
Due from other governments	21,428	-	-	21,428
Property taxes	43,478	-	-	43,478
Restricted cash and cash equivalents	175,040	147,581	-	322,621
TOTAL ASSETS	\$ 564,922	147,581	52	712,555
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 19,987	-	-	19,987
Accrued liabilities	4,963	-	-	4,963
Total liabilities	24,951	-	-	24,951
Deferred inflows of resources - property taxes	43,478	-	-	43,478
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	68,429	-	-	68,429
FUND BALANCES:				
Nonspendable:				
Endowments	-	50,000	-	50,000
Restricted for:				
Class C roads	164,672	-	-	164,672
Construction	10,368	-	-	10,368
Assigned for:				
Perpetual care	-	97,581	-	97,581
Capital projects	-	-	52	52
Unassigned	321,454	-	-	321,454
TOTAL FUND BALANCES	496,494	147,581	52	644,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 564,922	147,581	52	712,555

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

Paragonah Town
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2023

	General Fund	Perpetual Care	Nonmajor Capital Projects	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 49,394	-	-	49,394
Sales	100,815	-	-	100,815
Other taxes	1,116	-	-	1,116
License and permits	1,978	-	-	1,978
Intergovernmental revenues	136,376	-	-	136,376
Charges for services	51,736	10,700	-	62,436
Interest	5,648	3,445	-	9,093
Miscellaneous revenue	1,949	-	-	1,949
Total revenues	349,011	14,145	-	363,156
EXPENDITURES:				
General government	86,030	-	-	86,030
Public safety	67,827	-	-	67,827
Highways and streets	21,507	-	-	21,507
Culture and recreation	10,901	-	-	10,901
Cemetery	18,277	-	-	18,277
Total expenditures	204,542	-	-	204,542
Excess (Deficiency) of Revenues over (Under) Expenditures	144,470	14,145	-	158,615
Other Financing Sources and (Uses):				
Impact fees	2,592	-	-	2,592
Total other financing sources and (uses)	2,592	-	-	2,592
Net Change in Fund Balances	147,062	14,145	-	161,207
Fund balances - beginning of year	349,432	133,436	52	482,920
Fund balance - end of year	\$ 496,494	147,581	52	644,127

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

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

Total Fund Balance for Governmental Funds	<u>\$ 644,127</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	1,174,148
Less accumulated depreciation	<u>(1,048,988)</u>
Net capital assets	<u>125,159</u>
Net pension assets, non-current assets that apply to future periods, are not shown in the funds statements.	
	<u>-</u>
Deferred outflows of resources - pensions, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>13,339</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Net pension liability	<u>(27,298)</u>
Deferred inflows of resources - pensions	<u>(102)</u>
Total Net Position of Governmental Activities	<u><u>\$ 755,226</u></u>

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

Paragonah Town
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 161,207</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital outlays	-
Depreciation expense	<u>(19,849)</u>
Net	<u>(19,849)</u>
The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements.	<u>(47,688)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 93,670</u></u>

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

Paragonah Town
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2023

	Water Fund	Electric Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 862,246	297,576	1,159,823
Accounts receivable, net	16,585	50,474	67,059
Total current assets	<u>878,831</u>	<u>348,050</u>	<u>1,226,881</u>
Non-current assets:			
Restricted cash and cash equivalents	76,656	33,927	110,583
Capital assets:			
Not being depreciated	10,200	-	10,200
Net of accumulated depreciation	497,696	261,738	759,434
Net pension asset	-	-	-
Total non-current assets	<u>584,552</u>	<u>295,665</u>	<u>880,217</u>
Total assets	<u>1,463,383</u>	<u>643,715</u>	<u>2,107,098</u>
Deferred outflows of resources - pensions	3,910	5,750	9,660
Total assets and deferred outflows of resources	<u>\$ 1,467,293</u>	<u>649,464</u>	<u>2,116,758</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 330	24,697	25,026
Long-term debt, current position	-	26,000	26,000
Total current liabilities	<u>330</u>	<u>50,697</u>	<u>51,026</u>
Non-current liabilities:			
Long-term debt, long-term portion	-	-	-
Net pension liability	8,001	11,766	19,767
Total non-current liabilities	<u>8,001</u>	<u>11,766</u>	<u>19,767</u>
Total liabilities	<u>8,331</u>	<u>62,463</u>	<u>70,794</u>
Deferred inflows of resources - pensions	30	44	74
Total liabilities and deferred inflows of resources	<u>8,360</u>	<u>62,507</u>	<u>70,867</u>
NET POSITION:			
Net investment in capital assets	507,896	235,738	743,634
Restricted for:			
Debt service	-	26,690	26,690
Impact fees	26,656	-	26,656
ARPA	50,000	-	50,000
Unrestricted	874,381	324,530	1,198,910
Total net position	<u>1,458,933</u>	<u>586,958</u>	<u>2,045,891</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,467,293</u>	<u>649,464</u>	<u>2,116,758</u>

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

Paragonah Town
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND

For the Year Ended June 30, 2023

	Water Fund	Electric Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	\$ 165,381	288,813	454,194
Other operating income	-	3,433	3,433
Total operating income	165,381	292,246	457,627
Operating expenses:			
Cost of sales	-	251,682	251,682
Personnel services	49,688	54,453	104,141
Operating and maintenance	10,723	6,708	17,431
Insurance expense	4,620	4,620	9,240
Other supplies and expenses	6,182	3,856	10,038
Depreciation expense	26,177	33,400	59,577
Total operating expense	97,389	354,720	452,109
Net operating income (loss)	67,992	(62,474)	5,518
Non-operating income (expense):			
Impact fees	9,996	11,796	21,792
Interest income	4,942	15,396	20,338
Interest on long-term debt	-	(3,190)	(3,190)
Total non-operating income (expense)	14,938	24,002	38,940
Income (loss) before capital contributions	82,930	(38,472)	44,458
Capital contributions	50,000	-	50,000
Change in net position	132,930	(38,472)	94,458
Net position - beginning	1,326,003	625,429	1,951,433
Net position - ending	\$ 1,458,933	586,958	2,045,891

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

Paragonah Town
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

	Water Fund	Electric Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - service	\$ 161,783	280,627	442,410
Cash paid to suppliers	(33,460)	(259,168)	(292,628)
Cash paid to employees	(35,710)	(33,898)	(69,608)
Net cash provided (used) in operating activities	92,613	(12,439)	80,174
Cash flows from capital and related financing activities:			
Cash from impact fees	9,996	11,796	21,792
Cash from capital grants	50,000	-	50,000
Cash payments for capital assets	-	-	-
Cash payments for long-term debt principal	-	(25,000)	(25,000)
Cash payments for long-term debt interest	-	(3,190)	(3,190)
Net cash provided (used) in capital and related financing activities	59,996	(16,394)	43,602
Cash flows from investing activities:			
Cash received from interest earned	4,942	15,396	20,338
Net cash provided (used) in investing activities	4,942	15,396	20,338
Net increase (decrease) in cash	157,551	(13,437)	144,114
Cash balance, beginning	781,351	344,940	1,126,291
Cash balance, ending	\$ 938,902	331,503	1,270,405
Cash reported on the statement of net position:			
Cash and cash equivalents	\$ 862,246	297,576	1,159,823
Non-current restricted cash	76,656	33,927	110,583
Total cash and cash equivalents	\$ 938,902	331,503	1,270,405

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

Paragonah Town
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2023

Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:	Water Fund	Electric Fund	Total Enterprise Funds
Net operating income (expense)	\$ 67,992	(62,474)	5,518
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	26,177	33,400	59,577
Changes in assets and liabilities:			
(Increase) decrease in receivables	(3,598)	(11,619)	(15,217)
(Increase) decrease in net pension assets	48,564	71,417	119,981
(Increase) decrease in deferred outflows	(2,602)	(3,826)	(6,428)
Increase (decrease) in payables	(11,935)	7,699	(4,236)
Increase (decrease) in net pension liability	8,001	11,766	19,767
Increase (decrease) in deferred inflows	(39,986)	(58,802)	(98,788)
Net cash provided (used) in operating activities	<u>\$ 92,613</u>	<u>(12,439)</u>	<u>80,174</u>

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

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

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports the financial position of the governmental and business-type activities of the Town and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

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

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

Policy regarding use of restricted resources

When faced with a choice, it is the Town's policy to use restricted resources first, then committed and assigned amounts before spending unassigned amounts. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1-D. Fund types and major funds

Governmental funds

The Town reports the following major governmental funds:

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

The *cemetery fund* accounts for the assets held by the Town to provide for the perpetual care of the cemetery.

The Town reports the following as non-major governmental funds:

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

Proprietary funds

The Town reports the following major and non-major proprietary funds:

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

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

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

1-E-1. *Deposit and Investments*

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

1-E-2. *Cash and Cash Equivalents*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

1-E-3. *Receivables and Payables*

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectable. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

During the course of operations, there may be transactions that occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either due to or due from other funds.

Property taxes are assessed and collected for the Town by Iron County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. *Restricted Assets*

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

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

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

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

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

1-E-6. *Capital Assets*

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

1-E-6. Capital Assets (continued)

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

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

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Vehicles and equipment	5
Utility systems	40

1-E-7. Long-term Obligations

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

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

1-E-8. Compensated Absences

The Town has a policy which requires full-time employees eligible to accrue leave time to use vacation days in the year they are earned. The Town does not pay accumulated leave at termination. Sick leave may be accumulated up to a maximum of 30 days, but no portion of the accumulated sick leave is paid out upon termination. Therefore, no liability for compensated absences is necessary.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

1-E-9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources relating to pensions as required by GASB 68.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Town has two types of items that qualify for reporting in this category. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The Town also reports deferred inflows related to pensions as required by GASB 68.

1-E-10. *Pensions*

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

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

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

1-E-12. *Fund balance flow assumptions*

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

1-E-13. 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 Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

1-F. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

2-A. Budgetary data (continued)

Utah State law prohibits the Town from creating a deficit fund balance by making expenditures in excess of amounts budgeted. Any deficit so created must be made up in the following fiscal year. Deficits arising from emergencies, however, may be retired over five years. The maximum amount held in the general fund may not exceed 100% of the total revenue of the fund for the current year.

2-B. Taxes

Iron County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year. Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

2-C. Deficit fund balance or net position

None of the Town's funds carries a deficit fund balance or net position.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

	Fair Value
Cash in bank	\$ 1,222,299
State Treasurer's Investment Pool	692,252
Total cash	<u><u>\$ 1,914,552</u></u>

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

Cash and cash equivalents (current)	\$ 1,481,348
Restricted cash and cash equivalents (non-current)	433,203
Total cash and cash equivalents	<u><u>\$ 1,914,552</u></u>

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-A. Deposits and investments (continued)

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2023, the Town had \$692,252 invested in the PTIF, which uses a Level 2 fair value measurement.

Deposit and investment risk

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-A. Deposits and investments (continued)

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2023, \$951,094 of the Town's demand deposits of \$1,201,094 were exposed to risk.

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

Concentration of credit risk

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

3-B. Receivables

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

	General Fund	Water Fund	Electric Fund	Total
Intergovernmental	\$ 21,428	-	-	21,428
Property taxes	43,478	-	-	43,478
Customers	3,503	16,585	50,474	70,562
Total receivables	\$ 68,409	16,585	50,474	135,468

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-C. Capital assets

Capital asset activity for governmental activities was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ -	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Buildings	205,320	-	-	205,320
Improvements other than buildings	55,459	-	-	55,459
Machinery and equipment	447,444	-	-	447,444
Vehicles	465,925	-	-	465,925
Total capital assets, being depreciated	1,174,148	-	-	1,174,148
Less accumulated depreciation for:				
Buildings	109,269	7,291	-	116,560
Improvements other than buildings	28,631	3,697	-	32,328
Machinery and equipment	439,280	2,020	-	441,300
Vehicles	451,960	6,840	-	458,800
Total accumulated depreciation	1,029,140	19,848	-	1,048,988
Total capital assets being depreciated, net	145,008	(19,848)	-	125,159
Governmental activities capital assets, net	\$ 145,008	(19,848)	-	125,159

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

Governmental activities:	
General government	\$ 3,217
Public safety	7,460
Streets and highways	2,509
Culture and recreation	2,591
Cemetery	4,072
Total	\$ 19,848

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-C. Capital assets (continued)

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

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and water shares	\$ 10,200	-	-	10,200
Total capital assets, not being depreciated	10,200	-	-	10,200
Capital assets, being depreciated:				
Water system	844,530	-	-	844,530
Electric system	647,504	-	-	647,504
Machinery and equipment	201,915	-	-	201,915
Total capital assets, being depreciated	1,693,950	-	-	1,693,950
Less accumulated depreciation for:				
Water system	338,842	16,891	-	355,733
Electric system	356,849	28,918	-	385,767
Machinery and equipment	179,248	13,768	-	193,016
Total accumulated depreciation	874,939	59,577	-	934,516
Total capital assets being depreciated, net	819,011	(59,577)	-	759,434
Business-type activities capital assets, net	\$ 829,211	(59,577)	-	769,634

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

Business-type activities:	
Water	\$ 26,177
Electric	33,400
Total	\$ 59,577

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

3-D. Long-term liabilities

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

	Original Principal	%	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008 Electric Revenue Matures 12/15/2023	\$ 292,000	2.24	\$ 51,000	-	25,000	26,000	26,000
Total governmental activity long-term liabilities			\$ 51,000	-	25,000	26,000	26,000

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

	Principal	Interest	Total
2024	\$ 26,000	571	26,571
Total	\$ 26,000	571	26,571

Other long-term liabilities:

Net pension liability:	Beginning	Increase (Decrease)	Ending
Governmental	\$ -	27,298	27,298
Business-type	-	19,767	19,767
Total	\$ -	47,065	47,065

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The Town 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 Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans

General Information about the Pension Plan

Plan description:

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

Defined Benefit Plans

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

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

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

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

Benefits provided:

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage per year of service	Cola **
Contributory System	Highest 5 Years	30 years any age	1.25% per year to June 1975;	Up to 4%
		20 years age 60*	2% per year July 1975 to present	
		10 years age 62*		
		4 years age 65		
Tier 2 Public Employees System	Highest 5 Years	35 years any age	1.5% per year all years	Up to 2.5%
		20 years any age 60*		
		10 years age 62*		
		4 years age 65		

* with actuarial reductions

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4-C. Pension Plans (continued)

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023, are as follows:

<u>Utah Retirement Systems</u>	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k) Plan</u>
Contributory System			
11 - Local Government Div - Tier 1	6.00	13.96	N/A
111 - Local Government Div - Tier 2	N/A	17.77	0.18
Tier 2 DC Only			
211 - Local Government	N/A	7.95	10.00

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

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

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Contributory System	\$ 6,531	-
Tier 2 Public Employees System	6,746	-
Total Contributions	\$ 13,277	-

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, 2023, we reported a net pension asset of \$0 and a net pension liability of \$47,065.

	<u>(Measurement Date): December 31, 2022</u>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share 12/31/2021</u>	<u>Change (Decrease)</u>
Contributory System	\$ -	45,302	0.4404748%	0.3935311%	0.0469437%
Tier 2 Public Employees System	-	1,763	0.0016192%	0.0018302%	(0.0002110)%
Total	\$ -	47,065			

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4-C. Pension Plans (continued)

For the year ended June 30, 2023, we recognize pension expense of \$95,499.

At June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 596	\$ 70
Changes in assumptions	572	4
Net difference between projected and actual earnings on pension plan investments	14,216	-
Changes in proportion and differences between contributions and proportionate share of contributions	384	101
Contributions subsequent to the measurement date	7,231	-
Total	\$ 22,999	\$ 175

\$7,231 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (38,231)
2024	(11,234)
2025	10,732
2026	53,565
2027	165
Thereafter	597

Actuarial assumptions:

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

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

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

4-C. Pension Plans (continued)

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

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

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

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

Discount rate:

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

Paragonah Town
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

4-C. Pension Plans (continued)

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

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

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Contributory System	\$ 232,406	45,302	(113,496)
Tier 2 Public Employee System	7,704	1,763	(2,813)
Total	\$ 240,110	47,065	(116,309)

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

- 401(k) Plan

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

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 68	\$ 219	\$ 286
Employee Contributions	-	-	-

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

This page intentionally left blank.

Paragonah Town
Notes to Required Supplementary Information
June 30, 2023

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2023, spending did not exceed appropriations.

Changes in Assumptions Related to Pensions

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

Paragonah Town
**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
GENERAL FUND**
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes:				
Property	\$ 54,211	54,211	49,394	(4,817)
Sales	78,000	78,000	100,815	22,815
Other taxes	900	900	1,116	216
License and permits	3,765	3,765	1,978	(1,787)
Intergovernmental revenues	190,928	199,981	136,376	(63,605)
Charges for services	49,836	49,836	51,736	1,900
Interest	1,500	1,500	5,648	4,148
Miscellaneous revenue	3,005	3,005	1,949	(1,056)
Total revenues	382,145	391,198	349,011	(42,187)
EXPENDITURES:				
General government	108,211	110,409	86,030	24,379
Public safety	64,500	68,606	67,827	779
Highways and streets	85,714	82,429	21,507	60,922
Culture and recreation	5,536	10,901	10,901	0
Cemetery	19,108	19,777	18,277	1,500
Total expenditures	283,069	292,122	204,542	87,580
Excess (Deficiency) of Revenues over (Under) Expenditures	99,076	99,076	144,470	45,394
Other Financing Sources and (Uses):				
Impact fees	3,861	3,861	2,592	1,269
Transfers out	(129,004)	(129,004)	-	(129,004)
Total other financing sources and (uses)	(125,143)	(125,143)	2,592	(127,735)
Net Change in Fund Balances	(26,067)	(26,067)	147,062	173,129
Fund balances - beginning of year	349,432	349,432	349,432	-
Fund balance - end of year	\$ 323,365	323,365	496,494	173,129

Paragonah Town
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2023
 Last 10 Fiscal Years*

	As of December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Contributory Retirement System										
Proportion of the net pension liability (asset)	0.4404748%	0.3935311%	0.3005402%	0.2748975%	0.2538308%	0.1934756%	0.1300320%	0.0732236%	0.0582222%	
Proportionate share of the net pension liability (asset)	\$ 45,302	\$ (284,894)	\$ (53,863)	\$ 18,016	\$ 103,005	\$ 15,744	\$ 42,665	\$ 51,466	\$ 16,794	
Covered employee payroll	\$ 48,879	\$ 42,880	\$ 34,680	\$ 34,240	\$ 38,496	\$ 34,944	\$ 31,200	\$ 31,200	\$ 31,140	
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.68%	-664.40%	-155.31%	52.62%	267.57%	45.05%	136.75%	164.96%	53.90%	
Plan fiduciary net position as a percentage of the total pension liability	97.70%	115.90%	103.90%	98.60%	91.20%	98.20%	92.90%	85.70%	94.00%	
Tier 2 Public Employees Retirement System										
Proportion of the net pension liability (asset)	0.0016192%	0.0018302%	0.0019636%	0.0022443%	0.0014299%	0.0014299%	0.00%	0.00%	0.00%	
Proportionate share of the net pension liability (asset)	\$ 1,763	\$ (775)	\$ 282	\$ 505	\$ 126	\$ 126	\$ -	\$ -	\$ -	
Covered employee payroll	\$ 35,364	\$ 33,976	\$ 31,400	\$ 31,200	\$ 13,923	\$ 13,923	\$ -	\$ -	\$ -	
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.99%	-2.28%	0.90%	1.62%	0.90%	0.90%	0.00%	0.00%	0.00%	
Plan fiduciary net position as a percentage of the total pension liability	92.30%	103.80%	98.30%	96.50%	97.40%	97.40%	0.00%	0.00%	0.00%	

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively.

Paragonah Town
SCHEDULE OF CONTRIBUTIONS
 June 30, 2023
 Last 10 Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Contributory System	2014	\$ 4,159	\$ 4,159	\$ -	\$ 31,320	13.28%
	2015	4,520	4,520	-	31,260	14.46%
	2016	4,512	4,512	-	31,200	14.46%
	2017	4,512	4,512	-	31,408	14.36%
	2018	4,512	4,512	-	39,068	11.54%
	2019	4,512	4,512	-	35,248	12.80%
	2020	4,512	4,512	-	34,976	12.90%
	2021	4,791	4,791	-	36,024	13.30%
	2022	6,016	6,016	-	47,979	12.54%
	2023	6,531	6,531	-	53,310	12.25%
Tier 2 Public Employees Retirement System*	2014	-	-	-	-	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	583	583	-	3,497	16.67%
	2018	4,007	4,007	-	23,754	16.67%
	2019	5,268	5,268	-	30,448	17.30%
	2020	5,435	5,435	-	31,200	17.42%
	2021	5,636	5,636	-	32,094	17.56%
	2022	6,305	6,305	-	35,364	17.83%
	2023	6,746	6,746	-	37,962	17.77%

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

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



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*

To the Town Council and Mayor
Paragonah Town, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paragonah Town, Utah, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Paragonah Town, Utah's basic financial statements, and have issued our report thereon dated December 26, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Rees CPA

Rees CPA
Cedar City, Utah
December 26, 2023



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

To the Town Council and Mayor
Paragonah Town, Utah

Report On Compliance

We have audited Paragonah Town, Utah’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2023. State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Government Fees
- Utah Retirement Systems
- Public Treasurer’s Bond
- Open and Public Meetings Act

Opinion on Compliance

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Paragonah Town, Utah's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Paragonah Town, Utah's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of Paragonah Town, Utah's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report On Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Rees CPA

Rees CPA
Cedar City, Utah
December 26, 2023