

PAROWAN CITY
FINANCIAL STATEMENTS
JUNE 30, 2025

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Kimball & Roberts

A Professional Corporation
Certified Public Accountants
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Richfield, Utah 84701

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Parowan City
Parowan, Utah 84761

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Parowan City, a governmental unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Parowan City, as of June 30, 2025, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parowan City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement 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.

Responsibility of Management

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raised substantial doubt about Parowan City's ability to continue as a going concern for one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Parowan City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting principles 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about Parowan City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant 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, and Utah Retirement Systems pension liability and contribution information be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parowan City's basic financial statements. The section, combining and individual nonmajor fund financial statements, and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of Parowan City.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025, on our consideration of Parowan City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parowan City's internal control over financial reporting and compliance.

Kimball & Roberts, PC

Certified Public Accountants

December 1, 2025
Richfield, Utah

**PAROWAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

This discussion of Parowan City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2025. This report is in conjunction with the City's financial statements.

The City's purpose is to provide general services to its residents which includes general government, public safety, highways and public improvements, and culture and recreation.

Financial Highlights

- Total net position for the City as a whole increased by \$2,214,263.
- Total unrestricted net position for the City as a whole increased by \$438,130.
- Total net position for governmental activities increased by \$807,070.
- Total net position for business-type activities increased by \$1,407,193.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Parowan City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Refer to the table of contents for the location of the government-wide financial statements.

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. Parowan City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Parowan City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially 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 *governmental 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Parowan City maintains two major governmental funds: the General Fund and Capital Improvements Fund.

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

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Parowan City maintains one type of Proprietary Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses five enterprise funds to account for its water, electric, sewer, garbage, and irrigation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Three of the enterprise funds are considered major funds of the City, water, electric and water funds. The other two are Non-Major funds.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Parowan City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 are part of the basic financial statements.

Other Information

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$31,429,267, an increase of \$2,214,263 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$12,492,870 which represents an increase of \$438,130 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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

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

Parowan City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current Assets	\$ 4,631,973	\$ 5,145,884	\$11,144,511	\$ 8,662,781	\$15,776,484	\$13,808,665
Capital and Other Assets	10,239,545	9,302,531	14,231,569	15,732,043	24,471,114	25,034,574
Total Assets	14,871,518	14,448,415	25,376,080	24,394,824	40,247,598	38,843,239
Defer. Outflows of Resources	314,926	301,421	257,667	246,619	572,593	548,040
Long-Term Liabilities	1,125,825	1,012,814	4,127,242	4,769,216	5,253,067	5,782,030
Other Liabilities	650,116	2,039,823	1,657,616	1,461,462	2,307,732	3,501,285
Total Liabilities	1,775,941	3,052,637	5,784,858	6,230,678	7,560,799	9,283,315
Defer. Inflows of Resources	1,791,430	3,937,832	38,695	7,765	1,830,125	3,945,597
Net Position:						
Net Investment in Capital						
Assets	9,452,249	8,162,079	8,504,444	8,026,159	17,956,693	16,188,238
Restricted	255,359	247,144	724,345	724,883	979,704	972,027
Unrestricted	1,911,465	2,402,780	10,581,405	9,651,959	12,492,870	12,054,739
Total Net Position	\$11,619,073	\$10,812,003	\$19,810,194	\$18,403,001	\$31,429,267	\$29,215,004

A portion of the City's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$12,492,870 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net position, both for the government as a whole.

Governmental Activities

Governmental activities revenues of \$4,838,392 is a decrease of \$556,420 from the previous year. This is primarily due to decreases in grant revenues during the year. Governmental activities expenses of \$4,143,322 is an increase of \$1,260,792 from the previous year.

Parowan City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 484,300	\$ 424,499	\$ 5,977,555	\$ 5,524,032	\$ 6,461,855	\$ 5,948,531
Operating Grants	694,083	761,397	-	13,286	694,083	774,683
Capital Grants	957,856	2,047,666	-	-	957,856	2,047,666
General Revenues:						
Property Taxes	851,465	953,072	-	-	851,465	953,072
Other Taxes	1,192,497	966,652	-	-	1,192,497	966,652
Impact and Connect Fees	25,839	-	356,667	284,782	382,506	284,782
Donations	449,209	-	-	-	449,209	-
Sale of Capital Assets	-	49,315	-	-	-	49,315
Unrestricted Investment Earnings	183,143	192,211	439,457	422,381	622,600	614,592
Total Revenues	4,838,392	5,394,812	6,773,679	6,244,481	11,612,071	11,639,293
Expenses:						
General Government	966,734	699,528	5,164,282	4,558,635	6,131,016	5,258,163
Public Safety	1,214,977	976,653	-	-	1,214,977	976,653
Street & Public Improvements	747,404	692,717	-	-	747,404	692,717
Parks, Cemetery & Recreation	1,203,223	492,315	-	-	1,203,223	492,315
Interest on Long-Term Debt	10,984	21,317	90,204	135,440	101,188	156,757
Total Expenses	4,143,322	2,882,530	5,254,486	4,694,075	9,397,808	7,576,605
Increase (Decrease) in Net Position Before Transfers	695,070	2,512,282	1,519,193	1,550,406	2,214,263	4,062,688
Transfers	112,000	250,000	(112,000)	(250,000)	-	-
Net Changes in Net Position	807,070	2,762,282	1,407,193	1,300,406	2,214,263	4,062,688
Net Position - Beginning	10,812,003	8,049,721	18,403,001	17,102,595	29,215,004	25,152,316
Net Position - Ending	\$11,619,073	\$10,812,003	\$19,810,194	\$18,403,001	\$31,429,267	\$29,215,004

For the City as a whole, total revenues decreased by \$27,222 compared to the previous year, while total expenses increased by \$1,821,203. The total net change of \$2,214,263 is, in private sector terms, the net income for the year which is \$1,848,425 less than the previous year.

Business-Type Activities

Business-type activities revenue of \$6,773,679 is an increase of \$529,198 from the previous year. Service revenue increased by \$32,696 and capital grants decreased by \$13,286. Business-type activities expenses of \$5,254,486 is an increase of \$560,411 from the previous year.

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 \$2,157,691 reflects a decrease of \$434,303 from the previous year. Total revenues decreased by \$997,490. Tax revenues, including property taxes and sales taxes, increased by \$124,238. Intergovernmental revenue decreased by \$1,003,908. Revenues from charges for services decreased by \$15,932. Revenues from impact fees decreased by \$49,270. All other revenues decreased by \$52,618.

Total expenditures decreased by \$183,653. General government expenditures increased by \$245,336, public safety expenditures increased by \$251,457 streets and public works expenditures decreased by \$2,009,287 and parks and recreation expenditures increased by \$308,826. Debt service expenditures decreased by \$84,432, capital outlay increased \$1,104,446.

Transfers out to the capital projects fund amounted to \$50,000.

Fund balance restricted for impact fees \$92,967, bond reserves \$42,000 and perpetual care of \$120,392 and assigned fund balance for capital projects \$1,323,617 and public safety of \$487, resulting in an unassigned fund balance of \$578,228.

Capital Improvement Fund

The fund balance of \$1,318,110 reflects a decrease of \$83,693 from the previous year. This decrease was primarily a result of expenditures for capital projects.

Water Fund

The change in net position was \$121,534, which was \$157,439 more than the prior year's change in net position. Income from sales and service decreased by \$24,914. Net position restricted for debt service is \$118,000. Unrestricted net position amounts to \$1,867,482.

Sewer Fund

The change in net position (net loss) was \$65,188, which was \$206,585 less than the previous year's net income. Net position restricted for debt service was \$370,445. Unrestricted net position amounts to \$463,579.

Electric Fund

The change in net position (net income) was \$1,173,075, which was \$136,054 more than the previous year's change in net position. The amount restricted for debt service is \$235,900. Unrestricted net position amount to \$6,990,610.

General Fund Budgetary Highlights

Revenues for the current year, exclusive transfers, impact fees, and fund balance appropriations, were originally budgeted in the amount of \$4,141,152. Subsequent amendments resulted in a final budget of \$4,348,232. Actual revenues, excluding transfers, impact fees, and lease proceeds amounted to \$3,267,279.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$4,091,152. This amount was amended in the final budget to \$4,298,232. Actual expenditures amounted to \$3,575,739.

Transfers out for the year were originally budgeted in the amount of \$50,000, which was not amended during the actual transfers out amounted to \$50,000.

Parowan City's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,541,634	\$ 1,315,893	\$ 390,759	\$ 390,759	\$ 1,932,393	\$ 1,706,652
Infrastructure	503,423	583,026	-	-	503,423	583,026
Buildings	3,250,120	2,496,695	38,653	43,407	3,288,773	2,540,102
Improvements	1,608,259	1,474,115	-	-	1,608,259	1,474,115
Water, Electric and Irrigation System	-	-	12,071,857	12,631,681	12,071,857	12,631,681
Vehicles and Equipment	362,205	374,798	587,876	401,029	950,081	775,827
Construction in Progress	2,973,904	2,810,858	-	-	2,973,904	2,810,858
Total	\$10,239,545	\$ 9,055,385	\$13,089,145	\$13,466,876	\$23,328,690	\$22,522,261

The total amount of capital assets, net of depreciation, of \$23,328,690 is an increase of \$806,429 from the previous year.

Governmental activities capital assets, net of depreciation, of \$10,239,545 is an increase of \$1,184,160 from the previous year.

Business type activities capital assets, net of depreciation, of \$13,089,145 is a decrease of \$377,731 from the previous year.

Additional information on the City's capital assets can be found in the notes of the financial statements.

Long-Term Debt

At the end of the current year, the City had revenue bonds outstanding of \$5,225,546, leases payable \$146,452 compensated absences \$172,102 and net pension liability of \$550,542.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue Bonds	\$ 721,393	\$ 750,393	\$ 4,504,153	\$ 5,271,153	\$ 5,225,546	\$ 6,021,546
Leases Payable	65,903	142,915	80,549	104,423	146,452	247,338
Compensated Absences	86,433	63,043	85,669	80,161	172,102	143,204
Net Pension Liability	302,798	225,518	247,744	184,514	550,542	410,032
Total Long-Term Debt	\$ 1,176,527	\$ 1,181,869	\$ 4,918,115	\$ 5,640,251	\$ 6,094,642	\$ 6,822,120

Differences represent the amount of principal repaid during the year. Additional information regarding the long-term liabilities may be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

Request for Information

This financial report is designed to provide a general overview of Parowan City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Parowan City Recorder, P.O. Box 576, Parowan, Utah, 84761.

BASIC FINANCIAL STATEMENTS

PAROWAN CITY
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 3,117,163	\$ 9,849,733	\$ 12,966,896
Restricted Cash and Investments	255,359	724,345	979,704
Accounts Receivable (Net)	18,558	489,468	508,026
Leases Receivable	42,073	-	42,073
Property Tax Receivable	909,085	-	909,085
Note Receivable - Current Portion	-	79,000	79,000
Due From Other Government Units	279,226	-	279,226
Other Current Assets	10,509	1,965	12,474
Total Current Assets	4,631,973	11,144,511	15,776,484
Noncurrent Assets:			
Note Receivable	-	1,142,423	1,142,423
Capital Assets:			
Land, Water Stock, and Construction In Progress	4,515,538	390,759	4,906,297
Other Capital Assets (Net of Accumulated Depreciation)	5,724,007	12,698,387	18,422,394
Total Noncurrent Assets	10,239,545	14,231,569	24,471,114
TOTAL ASSETS	14,871,518	25,376,080	40,247,598
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	314,926	257,667	572,593
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,186,444	\$ 25,633,747	\$ 40,820,191
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 473,492	\$ 579,841	\$ 1,053,333
Accrued Liabilities	125,922	8,777	134,699
Accrued Interest Payable	-	27,965	27,965
Deposits Payable	-	250,159	250,159
Leases Payable - Due Within One Year	20,702	-	20,702
Revenue Bonds Payable - Due Within One Year	30,000	834,304	864,304
Total Current Liabilities	650,116	1,701,046	2,351,162
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	691,393	3,750,398	4,441,791
Leases Payable - Due More Than One Year	45,201	-	45,201
Compensated Absences	86,433	85,670	172,103
Net Pension Liability	302,798	247,744	550,542
Total Noncurrent Liabilities	1,125,825	4,083,812	5,209,637
TOTAL LIABILITIES	1,775,941	5,784,858	7,560,799
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Tax	895,362	-	895,362
Deferred Revenue	851,000	36,244	887,244
Leases - Airport	42,073	-	42,073
Related to Pensions	2,995	2,451	5,446
TOTAL DEFERRED INFLOWS OF RESOURCES	1,791,430	38,695	1,830,125
NET POSITION			
Net Investment in Capital Assets	9,452,249	8,504,444	17,956,693
Restricted For:			
Bond Retirement	42,000	724,345	766,345
Impact Fees	92,967	-	92,967
Perpetual Care	120,392	-	120,392
Unrestricted	1,911,465	10,581,405	12,492,870
TOTAL NET POSITION	11,619,073	19,810,194	31,429,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 15,186,444	\$ 25,633,747	\$ 40,820,191

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

PAROWAN CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2025

Function/Programs Primary Government:	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 966,734	\$ 292,634	\$ 138,362	\$ -	\$ (535,738)	\$ -	\$ (535,738)
Public Safety	1,214,977	44,539	81,403	-	(1,089,035)	-	(1,089,035)
Streets and Public Improvements	747,404	12,380	360,318	957,856	583,150	-	583,150
Parks, Cemetery and Recreation	1,203,223	134,747	114,000	-	(954,476)	-	(954,476)
Interest on Long-Term Debt	10,984	-	-	-	(10,984)	-	(10,984)
Total Governmental Activities	4,143,322	484,300	694,083	957,856	(2,007,083)	-	(2,007,083)
Business-Type Activities:							
Water Fund	907,398	911,608	-	-	-	4,210	4,210
Sewer Fund	838,767	719,379	-	-	-	(119,388)	(119,388)
Electric Fund	3,038,855	3,753,882	-	-	-	715,027	715,027
Pressurized Irrigation Fund	272,287	260,900	-	-	-	(11,387)	(11,387)
Garbage Fund	197,179	331,786	-	-	-	134,607	134,607
Total Business-Type Activities	5,254,486	5,977,555	-	-	-	723,069	723,069
Total Primary Government	\$ 9,397,808	\$ 6,461,855	\$ 694,083	\$ 957,856	(2,007,083)	723,069	(1,284,014)
General Revenues:							
Property Taxes					851,465	-	851,465
Fee-In-Lieu of Property Taxes					121,329	-	121,329
Sales Taxes					925,327	-	925,327
Other Taxes					145,841	-	145,841
Interest Earnings					183,143	439,457	622,600
Donations					449,209	-	449,209
Impact Fees					25,839	356,667	382,506
Total General Revenues					2,702,153	796,124	3,498,277
Transfers In (Out)					112,000	(112,000)	-
Change in Net Position					807,070	1,407,193	2,214,263
Net Position - Beginning					10,812,003	18,403,001	29,215,004
Net Position - Ending					\$ 11,619,073	\$ 19,810,194	\$ 31,429,267

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

**PAROWAN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025**

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 712,410	\$ 2,398,759	\$ 5,994	\$ 3,117,163
Cash and Investments-Restricted	92,967	-	162,392	255,359
Accounts Receivable	18,558	-	-	18,558
Lease Receivable	42,073	-	-	42,073
Property Taxes Receivable	909,085	-	-	909,085
Due From Other Government Units	235,924	43,302	-	279,226
Other Current Assets	10,509	-	-	10,509
TOTAL ASSETS	\$ 2,021,526	\$ 2,442,061	\$ 168,386	\$ 4,631,973
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 200,541	\$ 272,951	\$ -	\$ 473,492
Accrued Liabilities	125,922	-	-	125,922
Compensated Absences	86,433	-	-	86,433
Total Liabilities	412,896	272,951	-	685,847
Deferred inflows of Resources:				
Unavailable Revenue	895,362	851,000	-	1,746,362
Leases	42,073	-	-	42,073
Total Inflows of Resources	937,435	851,000	-	1,788,435
Fund Balances:				
Restricted For:				
Bond Reserves	-	-	42,000	42,000
Impact Fees	92,967	-	-	92,967
Perpetual Care	-	-	120,392	120,392
Assigned To:				
Capital Projects	-	1,318,110	5,507	1,323,617
Public Safety	-	-	487	487
Unassigned:				
General Fund	578,228	-	-	578,228
Total Fund Balances	671,195	1,318,110	168,386	2,157,691
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,021,526	\$ 2,442,061	\$ 168,386	\$ 4,631,973

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

PAROWAN CITY
GOVERNMENTAL BALANCE SHEET RECONCILIATION TO THE STATEMENT OF NET POSITION
June 30, 2025

Total Fund Balances - Governmental Fund Types	\$ 2,157,691
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land and Rights	\$ 1,541,634
Buildings	3,250,120
Improvements Other Than Buildings	1,608,259
Equipment	309,231
Vehicles	52,974
Infrastructure	503,423
Construction In Progress	<u>2,973,904</u>

Total Assets Used In Governmental Activities	10,239,545
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To recognize resources associated with pension assets and deferred outflows of pension resources:

Deferred Outflows of Resources Related to Pensions	314,926
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To recognize obligations associated with pension liabilities which are not current obligations and not recorded in the fund statements:

Deferred Inflows of Resources Related to Pensions	\$ (2,995)
Net Pension Liability	<u>(302,798)</u>

Total Deferred Inflows of Resources and Net Pension Liability	(305,793)
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Long-term liabilities, including bonds payable and compensated absences, are not due payable or consumed in the current period and, therefore, are not reported in the funds:

Leases Payable	\$ (65,903)
Revenue Bonds	<u>(721,393)</u>

Total Long-Term Liabilities	<u>(787,296)</u>
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Net Position of Government Activities	<u><u>\$ 11,619,073</u></u>
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The notes to the financial statements are an integral part of this statement.

PAROWAN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2025

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$2,043,962	\$ -	\$ -	\$ 2,043,962
Licenses and Permits	40,725	-	-	40,725
Intergovernmental Revenue	694,083	957,856	-	1,651,939
Charges for Services	190,351	-	40,310	230,661
Fines and Forfeitures	116,505	-	-	116,505
Interest	62,368	115,888	4,887	183,143
Impact Fees	25,839	-	-	25,839
Perpetual Care	-	-	2,963	2,963
Contributions	-	112,000	-	112,000
Miscellaneous Revenues	93,446	-	-	93,446
Total Revenues	<u>3,267,279</u>	<u>1,185,744</u>	<u>48,160</u>	<u>4,501,183</u>
Expenditures:				
Current:				
General Government	685,873	214,991	-	900,864
Public Safety	1,192,213	-	-	1,192,213
Highways and Public Improvements	589,490	-	-	589,490
Parks, Recreation and Public Property	1,108,163	-	-	1,108,163
Capital Outlay	-	1,104,446	-	1,104,446
Debt Service:				
Principal	-	-	29,000	29,000
Interest	-	-	11,310	11,310
Total Expenditures	<u>3,575,739</u>	<u>1,319,437</u>	<u>40,310</u>	<u>4,935,486</u>
Excess Revenues Over Expenditures	<u>(308,460)</u>	<u>(133,693)</u>	<u>7,850</u>	<u>(434,303)</u>
Other Financing Sources (Uses):				
Transfers In (Out)	(50,000)	50,000	-	-
Total Other Financing Sources	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balance	<u>(358,460)</u>	<u>(83,693)</u>	<u>7,850</u>	<u>(434,303)</u>
Fund Balance - Beginning	<u>1,029,655</u>	<u>1,401,803</u>	<u>160,536</u>	<u>2,591,994</u>
Fund Balance - Ending	<u>\$ 671,195</u>	<u>\$ 1,318,110</u>	<u>\$ 168,386</u>	<u>\$ 2,157,691</u>

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

PAROWAN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2025

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

Net Changes in Fund Balances - Total Governmental Funds	\$ (434,303)
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The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	(49,123)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	\$ 1,553,655	
Depreciation Expense	<u>(369,497)</u>	
 Total		 1,184,158

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payment of Long-Term Debt	\$ 106,012	
Decrease in Accrued Interest Payable	<u>326</u>	
 Total		 <u>106,338</u>

Changes In Net Position of Governmental Activities	<u>\$ 807,070</u>
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The notes to the financial statements are an integral part of this statement.

PAROWAN CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

	Business-Type Activity Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Nonmajor Funds	Totals
ASSETS:					
Current Assets:					
Cash and Investments	\$ 1,893,202	\$ 716,166	\$ 5,925,000	\$ 1,315,365	\$ 9,849,733
Restricted Cash and Investments	118,000	370,445	235,900	-	724,345
Accounts Receivable (Net)	84,728	60,222	293,883	50,635	489,468
Note Receivable-Current Portion	-	-	79,000	-	79,000
Other Current Asset	-	-	1,965	-	1,965
Total Current Assets	2,095,930	1,146,833	6,535,748	1,366,000	11,144,511
Noncurrent Assets:					
Due From Other Funds	-	-	45,294	-	45,294
Note Receivable-PRC	-	-	1,142,423	-	1,142,423
Capital Assets:					
Land, Water Stock, and Construction In Progress	171,517	176,092	32,433	10,717	390,759
Other Capital Assets (Net of Accumulated Depreciation)	2,474,939	2,372,461	7,544,472	306,515	12,698,387
Total Noncurrent Assets	2,646,456	2,548,553	8,764,622	317,232	14,276,863
TOTAL ASSETS	4,742,386	3,695,386	15,300,370	1,683,232	25,421,374
DEFERRED OUTFLOWS OF RESOURCES:					
Related To Pensions	40,082	57,259	125,970	34,356	257,667
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,782,468	\$ 3,752,645	\$ 15,426,340	\$ 1,717,588	\$ 25,679,041
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 41,406	\$ 290,853	\$ 195,368	\$ 52,214	\$ 579,841
Accrued Interest Payable	17,485	3,231	7,249	-	27,965
Due to Other Funds	-	-	-	45,294	45,294
Deposits Payable	-	-	250,159	-	250,159
Accrued Liabilities	-	-	8,777	-	8,777
Bonds Payable - Due In One Year	131,061	271,121	427,061	5,061	834,304
Total Current Liabilities	189,952	565,205	888,614	102,569	1,746,340
Noncurrent Liabilities:					
Compensated Absences	16,476	20,385	39,055	9,754	85,670
Net Pension Liability	38,538	55,054	121,119	33,033	247,744
Bonds Payable-Due More Than One Year	928,049	136,251	2,675,049	11,049	3,750,398
Total Noncurrent Liabilities	983,063	211,690	2,835,223	53,836	4,083,812
TOTAL LIABILITIES	1,173,015	776,895	3,723,837	156,405	5,830,152
DEFERRED INFLOWS OF RESOURCES:					
Related To Pensions	381	545	1,198	327	2,451
Deferred Revenue	36,244	-	-	-	36,244
Total Deferred Inflows of Resources	36,625	545	1,198	327	38,695
NET POSITION:					
Net Investment in Capital Assets	1,587,346	2,141,181	4,474,795	301,122	8,504,444
Restricted for:					
Bond Reserves	118,000	370,445	235,900	-	724,345
Unrestricted	1,867,482	463,579	6,990,610	1,259,734	10,581,405
TOTAL NET POSITION	3,572,828	2,975,205	11,701,305	1,560,856	19,810,194
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND AND NET POSITION	\$ 4,782,468	\$ 3,752,645	\$ 15,426,340	\$ 1,717,588	\$ 25,679,041

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

PAROWAN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2025

	Business-Type Activity Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Nonmajor Funds	Totals
Operating Revenues:					
Charges for Sales and Services:					
Water	\$ 887,129	\$ -	\$ -	\$ -	\$ 887,129
Electric	-	-	3,207,752	-	3,207,752
Irrigation	-	-	-	260,900	260,900
Sewer	-	600,510	-	-	600,510
Solid Waste	-	-	-	331,786	331,786
Other	-	113,030	155,621	-	268,651
Total Operating Revenues	<u>887,129</u>	<u>713,540</u>	<u>3,363,373</u>	<u>592,686</u>	<u>5,556,728</u>
Operating Expenses:					
Salaries	216,042	234,704	494,771	159,749	1,105,266
Fringe Benefits	58,766	65,466	136,258	50,838	311,328
Utilities	73,012	17,447	14,445	-	104,904
Purchased Power	-	-	1,309,203	-	1,309,203
Material and Supplies	296,407	287,571	688,441	213,726	1,486,145
Depreciation	<u>227,855</u>	<u>213,470</u>	<u>318,362</u>	<u>36,867</u>	<u>796,554</u>
Total Operating Expenses	<u>872,082</u>	<u>818,658</u>	<u>2,961,480</u>	<u>461,180</u>	<u>5,113,400</u>
Operating Income	<u>15,047</u>	<u>(105,118)</u>	<u>401,893</u>	<u>131,506</u>	<u>443,328</u>
Nonoperating Revenues (Expenses):					
Connection Fees	10,215	2,800	390,509	-	403,524
Impact Fees	143,270	11,910	201,487	-	356,667
Interest Income	86,054	42,290	256,561	54,552	439,457
Lease and Rental Income	11,495	-	-	-	11,495
Interest Expense	(28,026)	(9,694)	(50,446)	(2,038)	(90,204)
Bond Agent Cost	-	-	(4,016)	-	(4,016)
Other Income	2,769	3,039	-	-	5,808
Net Pension Benefit	(7,290)	(10,415)	(22,913)	(6,248)	(46,866)
Transfer To Capital Project Fund	<u>(112,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(112,000)</u>
Total Nonoperating Revenues (Expenses)	<u>106,487</u>	<u>39,930</u>	<u>771,182</u>	<u>46,266</u>	<u>963,865</u>
Change in Net Position	121,534	(65,188)	1,173,075	177,772	1,407,193
Net Position - Beginning	<u>3,451,294</u>	<u>3,040,393</u>	<u>10,528,230</u>	<u>1,383,084</u>	<u>18,403,001</u>
Net Position - Ending	<u>\$ 3,572,828</u>	<u>\$ 2,975,205</u>	<u>\$ 11,701,305</u>	<u>\$ 1,560,856</u>	<u>\$19,810,194</u>

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

PAROWAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds				
	Water Fund	Sewer Fund	Electric Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:					
Receipts From Customers	\$ 920,687	\$ 732,957	\$ 3,742,471	\$ 597,570	\$ 5,993,685
Payments to Suppliers	(348,313)	(20,433)	(2,009,896)	(196,831)	(2,575,473)
Payments to Employees	(274,808)	(300,170)	(631,029)	(210,587)	(1,416,594)
Net Cash Provided by Operating Activities	297,566	412,354	1,101,546	190,152	2,001,618
Cash Flows From Capital and Related Financing Activities:					
Interfund Loan	-	-	45,293	(45,293)	-
Interest Payment on Long-Term Debt	(30,114)	(12,926)	(55,850)	(2,038)	(100,928)
Principal Payment on Long-Term Debt	(127,775)	(270,549)	(387,775)	(4,775)	(790,874)
Long-Term Note Receivable Collection	-	-	79,000	-	79,000
Capital Outlay	-	-	(418,824)	-	(418,824)
Impact Fee Revenue	143,270	11,910	201,487	-	356,667
Transfer To Capital Projects Fund	(112,000)	-	-	-	(112,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(126,619)	(271,565)	(536,669)	(52,106)	(986,959)
Cash Flows from Investing Activities:					
Interest Earned on Investments	86,054	42,290	256,561	54,552	439,457
Net Cash Provided (Used) by Investing Activities	86,054	42,290	256,561	54,552	439,457
Increase (Decrease) in Cash and Investments	257,001	183,079	821,438	192,598	1,454,116
Cash and Investments - Beginning	1,754,201	903,532	5,339,462	1,122,767	9,119,962
Cash and Investments - Ending	\$ 2,011,202	\$ 1,086,611	\$ 6,160,900	\$ 1,315,365	\$ 10,574,078
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:					
Operating Income (Loss)	\$ 39,526	\$ (99,279)	\$ 792,402	\$ 131,506	\$ 864,155
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:					
Depreciation	227,855	213,470	318,362	36,867	796,554
Increase (Decrease) in Operating Assets:					
Accounts Receivable	9,080	13,578	(11,411)	4,884	16,131
Accounts Payable	22,626	284,013	(16,525)	18,076	308,190
Compensated Absences	(1,521)	572	7,638	(1,181)	5,508
Deposits Payable	-	-	10,299	-	10,299
Sales Tax Payable	-	-	781	-	781
Total Adjustments	258,040	511,633	309,144	58,646	1,137,463
Net Cash Provided (Used) by Operating Activities	\$ 297,566	\$ 412,354	\$ 1,101,546	\$ 190,152	\$ 2,001,618

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 statements.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific, accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period are all 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.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy regarding use of restricted resources

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

D. Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

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

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

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

The *Wildland Fire Fund* accounts for funds received and expended on wildland fires.

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

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

The *Capital Projects Community Theatre Fund* is used to account for the acquisition or construction of major capital facilities relating to the development of the community theater.

The *Cemetery Perpetual Care Permanent Fund* accounts for money received for upkeep and perpetual care of cemetery plots.

Proprietary Funds

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

The *Water Fund* is used to account for the activities of the culinary water production, treatment and distribution.

The *Sewer Fund* is used to account for the activities of the sewer collection and treatment operations. The City combined the previously reported sewer collection and sewer treatment funds into one sewer fund starting in fiscal year 2016.

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

The *Garbage Fund* and *Pressurized Irrigation Fund* are reported as nonmajor proprietary funds.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposit and Investments

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

Cash and Cash Equivalents

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

Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of any allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities and the proprietary funds, management does not consider allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented other than in the Electric fund, which has an allowance for uncollectibles of \$9,120.

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 from other funds.

Property Taxes

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets are tangible and intangible assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost (except for intangible right-to-use lease assets, the measurement of which is the net present value of the assets). Donated capital assets are recorded at estimated acquisition value at the date of donation. Infrastructure is depreciated.

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

Upon retirement or disposition of capital assets, the cost of 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.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20-40
Utility Systems	40
Machinery and Equipment	5-10
Right-to-Use Leased Equipment	4

The City has adopted and complied with GASB 87, regarding the classification and disclosure of leases and the related leased assets and liabilities. The City has also adopted and complied with GASB 96, regarding intangible assets.

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 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.

Compensated Absences

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

Leases

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources relating to pensions as required by GASB 68 and is described in Note 14.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has three types of items that qualify for reporting in this category. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period in which they are levied. The City also reports deferred inflows related to pensions as required by GASB 68, further described in Note 14, and as lessor as required by GASB 87.

Pensions

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Equity Classifications

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Proprietary Fund equity is classified the same as in the government-wide statements.

Fund Balance Policies

In the fund financial statements, governmental fund equity is classified as fund balance. 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. Specifically, fund balance is classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance classification are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unassigned Fund Balance classification is the residual classification for 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 specific purposes within the General Fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

Budgetary Data

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

Utah State law prohibits the appropriation of unassigned General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 35% of the current year's revenues must be appropriated within the following two years.

Once adopted, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)
Deficit Fund Balances or Net Position

As of June 30, 2025, none of the City's funds carry a deficit fund balance or net position.

Date of Subsequent Event Evaluation

Parowan City's subsequent events have been evaluated through the day of the financial statement issuance of December 1, 2025.

NOTE 3 - CASH AND INVESTMENTS
Deposits:

Deposits and Investments are carried at amortized cost, which approximates fair value. A reconciliation of cash and investments at June 30, 2025, as shown on the financial statements is as follows:

	<u>Carrying at Fair Value</u>
Cash On Hand	\$ 773
Demand Deposits - Checking	1,694,839
Investment - PTIF	<u>12,250,988</u>
Total Cash and Investments	<u><u>\$13,946,600</u></u>
Governmental Activities - Unrestricted	\$ 3,117,163
Governmental Activities - Restricted	255,359
Business-Type Activities - Unrestricted	9,849,733
Business-Type Activities - Restricted	<u>724,345</u>
Total Cash and Investments	<u><u>\$13,946,600</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2025, \$1,194,839 of the City's bank balances of \$1,694,839 was uninsured and uncollateralized.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments:

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

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

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

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

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The City measures and records its investments at amortized cost, which approximates 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, 2025, the City had the following recurring fair value measurements:

<u>Investments By Fair Value Level</u>	<u>June 30, 2025</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities:				
Public Treasurers' Investment Fund	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$12,275,311</u>	<u>\$ -</u>
Total Investments by Fair Value	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$12,275,311</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- * Utah Public Treasurers' Investment Fund: application of the June 30, 2025 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.
- * Certificates of deposit: published fair value at June 30, 2025.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2025, the City's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurers' Investment Fund	<u>\$12,275,311</u>	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$12,275,311</u>	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

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

At June 30, 2025, the City's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,275,311</u>
Total	<u>\$12,275,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,275,311</u>

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. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments with a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2025, the City had \$12,275,311 in debt security investments, level 2, which were held by the investment's counterparty. The City places no other limits on the amount of investments to be held by counterparties.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - BOND RESERVES

The following is a schedule of changes in bond reserves:

Governmental Funds

	<u>Maximum Required</u>	<u>Balance June 30, 2024</u>	<u>Annual Deposit</u>	<u>Balance June 30, 2025</u>
\$972,000 LBA Admin Building Revenue Bonds, Series 2014	\$ 42,000	\$ 42,000	\$ -	\$ 42,000
Total Bond Reserves - Governmental	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ -</u>	<u>\$ 42,000</u>

Business-Type Funds

	<u>Maximum Required</u>	<u>Balance June 30, 2024</u>	<u>Annual Deposit</u>	<u>Balance June 30, 2025</u>
\$1,923,000 Water Fund Revenue Bonds, Series 2008	\$ -	\$ 118,000	\$ -	\$ 118,000
\$3,772,000 Sewer Fund (Reserve) Revenue Bonds, Series 2005	-	20,660	(538)	20,122
\$3,772,000 Sewer Fund (Sinking) Revenue Bonds, Series 2005	-	217,714	-	217,714
\$3,772,000 Sewer Fund (Repair) Revenue Bonds, Series 2005	-	78,609	-	78,609
\$512,000 Sewer Fund (Reserve) Revenue Bonds, Series 2010B	26,000	26,000	-	26,000
\$512,000 Sewer Fund (Sinking) Revenue Bonds, Series 2010B	28,000	28,000	-	28,000
\$3,464,000 Electric Fund Revenue Bonds, Series 2014	<u>235,900</u>	<u>235,900</u>	<u>-</u>	<u>235,900</u>
Total Bond Reserves - Business-Type	<u>\$ 289,900</u>	<u>\$ 724,883</u>	<u>\$ (538)</u>	<u>\$ 724,345</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - RECEIVABLES

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

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Nonmajor Enterprise Funds	Total
Intergovernmental	\$1,188,311	\$ -	\$ -	\$ -	\$ -	\$1,188,311
Customers	18,558	84,728	60,222	303,003	50,635	517,146
Leases	42,073	-	-	-	-	42,073
Long-term Receivable	-	-	-	1,221,423	-	1,221,423
Total Receivables	1,248,942	84,728	60,222	1,524,426	50,635	2,968,953
Less allowance	-	-	-	(9,120)	-	(9,120)
Net Receivables	\$1,248,942	\$84,728	\$60,222	\$1,515,306	\$50,635	\$2,959,833

The City has entered into an agreement with the Parowan Reservoir Company (PRC) in which the PRC has agreed to pay the City \$79,000 for 20 years for PRC's portion of principal debt payments. The long-term receivable in the schedule above represents the outstanding payments due from PRC as of June 30, 2025. The PRC also owes the City \$352,423 for other invoices and costs that were incurred in addition to the debt payments. These costs are not anticipated to be paid until after the debt period since the agreement states that the PRC is not required to pay more than \$79,000 per year.

Lease Receivable

The City is lessor for airport hangers. As such, the City recognizes leases receivable and deferred inflows of resources for the present value of those lease arrangements. The value at June 30, 2025 is \$42,073. The leasing arrangements range from 2 years to 24 years with varying payments of \$240 to \$1,313 annually.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and Rights	\$ 1,315,893	\$ 225,741	\$ -	\$ 1,541,634
Construction in Progress	2,810,858	822,256	659,210	2,973,904
 Total Capital Assets Not Being Depreciated	 4,126,751	 1,047,997	 659,210	 4,515,538
 Capital Assets, Being Depreciated:				
Buildings	3,946,942	845,825	-	4,792,767
Improvements other than Buildings	2,862,965	265,325	-	3,128,290
Machinery and Equipment	1,351,558	14,218	-	1,365,776
Vehicles	217,598	39,500	-	257,098
Right-to-Use Leased Equipment	219,289	-	-	219,289
Infrastructure	4,648,682	-	-	4,648,682
 Total Capital Assets Being Depreciated	 13,247,034	 1,164,868	 -	 14,411,902
 Less Accumulated Depreciation For:				
Buildings	1,450,246	92,401	-	1,542,647
Improvements other than Buildings	1,388,849	131,182	-	1,520,031
Machinery and Equipment	1,000,410	56,135	-	1,056,545
Vehicles	193,948	10,176	-	204,124
Right-to-Use Leased Equipment	219,289	-	-	219,289
Infrastructure	4,065,656	79,603	-	4,145,259
 Total Accumulated Depreciation	 8,318,398	 369,497	 -	 8,687,895
 Total Capital Assets Being Depreciated (Net)	 4,928,636	 795,371	 -	 5,724,007
 Governmental Activities Capital Assets, Net	 \$ 9,055,387	 \$ 1,843,368	 \$ 659,210	 \$ 10,239,545

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated				
Land & Water Rights	\$ 390,759	\$ -	\$ -	\$ 390,759
Total Capital Assets Not Being Depreciated	<u>390,759</u>	<u>-</u>	<u>-</u>	<u>390,759</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	147,835	-	-	147,835
Water Distribution System	6,257,753	-	-	6,257,753
Sewer Collection & Treatment Sys	5,473,719	-	-	5,473,719
Electric Distribution System	11,943,168	115,750	-	12,058,918
Pressurized Irrigation System	1,126,211	-	-	1,126,211
Machinery and Equipment	1,430,855	-	-	1,430,855
Vehicles	790,715	303,074	-	1,093,789
Total Capital Assets Being Depreciated	<u>27,170,256</u>	<u>418,824</u>	<u>-</u>	<u>27,589,080</u>
Less Accumulated Depreciation For				
Buildings and Improvements	104,428	4,754	-	109,182
Water Distribution System	3,639,336	205,538	-	3,844,874
Sewer Collection & Treatment Sys	2,995,287	183,085	-	3,178,372
Electric Distribution System	4,687,075	266,499	-	4,953,574
Pressurized Irrigation System	847,472	20,452	-	867,924
Machinery and Equipment	1,237,048	47,836	-	1,284,884
Vehicles	583,493	68,391	-	651,884
Total Accumulated Depreciation	<u>14,094,139</u>	<u>796,555</u>	<u>-</u>	<u>14,890,694</u>
Total Capital Assets Being Depreciated (Net)	<u>13,076,117</u>	<u>(377,731)</u>	<u>-</u>	<u>12,698,386</u>
Business-Type Activities Capital Assets, Net	<u>13,466,876</u>	<u>(377,731)</u>	<u>-</u>	<u>13,089,145</u>
Total Capital Assets	<u>\$22,522,263</u>	<u>\$1,465,637</u>	<u>\$ 659,210</u>	<u>\$23,328,690</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General Government	\$ 62,571	\$ -
Public Safety	23,531	-
Streets & Public Works	200,936	-
Parks, Recreation and Public Property	82,459	-
Water	-	227,855
Sewer	-	213,470
Electric	-	318,363
Garbage	-	4,416
Pressurized Irrigation	-	32,451
	<u> </u>	<u> </u>
Total Depreciation Expense	<u>\$ 369,497</u>	<u>\$ 796,555</u>

NOTE 7 - LONG-TERM DEBT

Governmental Long-Term Debt

Lease Revenue Bonds, Series 2015 - Local Building Authority

On March 31, 2015, the Local Building Authority of Parowan City approved the issuance of Series 2015 Lease Revenue Bonds in the amount of \$972,000 for the purpose of constructing an Administration building and related improvements. The terms of the lease require yearly payments beginning October 1, 2016, including interest at 2.5%, and ending October 1, 2045.

2020 Leases Payable, Mike Albert Leasing, Inc.

On September 1, 2020, Parowan City entered into a lease agreement with Mike Albert Leasing, Inc. in the amount of \$219,289 for the purpose of leasing vehicles for the Parowan City Police Department. The final payment for the leased vehicles was made in the current year.

2022 Lease Payable, Caterpillar Financial Services Corporation (45% Governmental Use)

On February 23, 2024, Parowan City entered into a lease agreement with Caterpillar Financial Services Corporation in the amount of \$230,811 for the purpose of purchasing a Hydraulic Excavator. The terms of the lease require 5 yearly payments, including interest at 5.99%, of \$54,779 beginning April 4, 2024 and ending April 4, 2028.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Long-Term Debt

The outstanding direct placement bonds and direct borrowings are all secured with their respective revenues and/or property and equipment.

Water Revenue Bonds, Series 2008

On November 6, 2008, Parowan City approved the issuance of Water Revenue Bonds, Series 2008 in the amount of \$1,923,000 for the purpose of providing funds to finance all or part of the cost of improving the culinary water system of the City. The Bonds carry an interest rate of 2.05% with annual payments between \$117,712 and \$118,662 beginning on August 31, 2009 and maturing on August 31, 2029.

Parity Water Revenue Bonds, Series 2013

On January 30, 2013, Parowan City approved the issuance of Parity Water Revenue Bonds, Series 2013 in the amount of \$660,000 for the purpose of providing funds to finance all or part of the cost of improving the culinary water system of the City. The Bonds carry an interest rate of 3.28% with annual payments between \$34,164 and \$35,319 beginning on January 1, 2015 and maturing on January 1, 2044.

Sewer Revenue Bonds, Series 2005

On September 22, 2005, Parowan City approved the issuance of Sewer Revenue Bonds, Series 2005 in the amount of \$4,500,000 for the purpose of providing funds to finance all or part of the cost of improving the sewer system of the City. The Bonds carry an interest rate of 2.75% with annual payments between \$241,463 and \$248,625 beginning on January 1, 2007 and maturing on January 1, 2026.

Sewer Revenue Bonds, Series 2010B (24% Collection & 76% Treatment)

On February 16, 2010, Parowan City approved the issuance of Sewer Revenue Bonds, Series 2010B in the amount of \$512,000 for the purpose of providing funds to finance all or part of the cost of improving the sewer system of the City. The Bonds carry no interest with various annual payments beginning on November 1, 2011 and maturing on November 1, 2031.

Electric Revenue Bonds, Series 2014

On December 11, 2014, Parowan City approved the issuance of Electric Revenue Bonds, Series 2014 in the amount of \$3,464,000 for the purpose of providing funds to finance all or part of the cost of improving the electric system of the City. The Bonds carry an interest rate of 1% with annual payments between \$126,640 and \$312,090 beginning on May 1, 2015 and maturing on May 1, 2035.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Long-Term Debt (Continued)

Electric Revenue Refunding Bonds, Series 2016

On April 19, 2016, Parowan City approved the issuance of Electric Revenue Refunding Bonds, Series 2016 in the amount of \$2,957,000 for the purpose of providing funds to refund the City's previously outstanding Electric Revenue Bonds, Series 2013. The Bonds carry an interest rate between .95% - 3.30% with annual interest only payments due November 1 of each year, beginning on November 1, 2016. Annual principal and interest payments of between \$276,926 and \$302,917 are due beginning May 1, 2017 and maturing on May 1, 2027.

2022 Lease Payable, Caterpillar Financial Services Corporation (55% Business-Type Use)

On February 23, 2024, Parowan City entered into a lease agreement with Caterpillar Financial Services Corporation in the amount of \$230,811 for the purpose of purchasing a Hydraulic Excavator. The terms of the lease require 5 yearly payments, including interest at 5.99%, of \$54,779 beginning April 4, 2024 and ending April 4, 2028.

Compensated Absences:

Compensated absences of Parowan City in the proprietary funds and the governmental funds represent accrued vacation at year end in the amount of \$172,103.

The following is a schedule of changes in compensated absences:

	Balance	Net Change		Balance
	June 30, 2024	Increases	Decreases	June 30, 2025
Governmental	\$ 63,043	\$ 23,390	\$ -	\$ 86,433
Proprietary Fund	80,161	5,509	-	85,670
Total Compensated Absences	<u>\$ 143,204</u>	<u>\$ 28,899</u>	<u>\$ -</u>	<u>\$ 172,103</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)
Governmental Long-Term Debt:

The following is an amortization of Governmental Long-Term Debt to maturity:

Fiscal Year Ended June 30	Revenue Bonds		Lease	
	Direct Placement		Direct Borrowing	
	LBA Lease Revenue 2015		Caterpillar Financial (45%)	
	Principal	Interest	Principal	Interest
2026	\$ 30,000	\$ 10,875	\$ 20,703	\$ 3,947
2027	30,000	10,425	21,942	2,707
2028	30,000	9,975	23,258	1,392
2029	31,000	9,525	-	-
2030	31,000	9,060	-	-
2031-2035	164,000	38,130	-	-
2036-2040	176,000	25,470	-	-
2041-2045	193,000	11,805	-	-
2046-2050	36,393	600	-	-
	<u>\$ 721,393</u>	<u>\$ 125,865</u>	<u>\$ 65,903</u>	<u>\$ 8,046</u>

Business-Type Long-Term Debt:

The following is an amortization of Business-Type Long-Term Debt to maturity:

Fiscal Year Ended June 30	Revenue Bonds					
	Direct Placement		Direct Placement		Direct Placement	
	Water Revenue 2008		Parity Water Revenue 2013		Sewer Revenue 2005	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 107,000	\$ 11,398	\$ 19,000	\$ 15,974	\$ 235,000	\$ 6,463
2027	109,000	9,205	19,000	15,350	-	-
2028	111,000	6,970	20,000	14,727	-	-
2029	113,000	4,695	21,000	14,071	-	-
2030	116,000	2,378	21,000	13,382	-	-
2031-2035	-	-	118,000	55,957	-	-
2036-2040	-	-	140,000	35,260	-	-
2041-2045	-	-	129,000	10,726	-	-
	<u>\$ 556,000</u>	<u>\$ 34,646</u>	<u>\$ 487,000</u>	<u>\$ 175,447</u>	<u>\$ 235,000</u>	<u>\$ 6,463</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-Type Long-Term Debt (Continued):

The following is an amortization of Business-Type Long-Term Debt to maturity (Continued):

Fiscal Year Ended June 30	Revenue Bonds					
	Direct Placement		Direct Placement		Direct Placement	
	Sewer Revenue 2010B (C0II)		Sewer Revenue 2010B (Trmt)		Electric Revenue 214	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 6,240	\$ -	\$ 19,760	\$ -	\$ 133,000	\$ 24,990
2027	6,240	-	19,760	-	134,000	23,660
2028	6,240	-	19,760	-	136,000	22,320
2029	6,240	-	19,760	-	291,000	20,960
2030	6,240	-	19,760	-	294,000	18,050
2031-2035	6,240	-	3,913	-	1,511,000	45,650
	<u>\$ 37,440</u>	<u>\$ -</u>	<u>\$ 102,713</u>	<u>\$ -</u>	<u>\$ 2,499,000</u>	<u>\$ 155,630</u>

Fiscal Year Ended June 30	Revenue Bonds		Total		Lease	
	Direct Placement		Direct Placement		Direct Borrowing	
	Electric Revenue Ref. 2016		Revenue Bonds		Caterpillar Financial (55%)	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 289,000	\$ 18,504	\$ 809,000	\$ 77,329	\$ 25,304	\$ 4,825
2027	298,000	9,834	586,000	58,049	26,820	3,310
2028	-	-	293,000	44,017	28,425	1,704
2029	-	-	451,000	39,726	-	-
2030	-	-	457,000	33,810	-	-
2031-2035	-	-	1,639,153	101,607	-	-
2036-2040	-	-	140,000	35,260	-	-
2041-2045	-	-	129,000	10,726	-	-
	<u>\$ 587,000</u>	<u>\$ 28,338</u>	<u>\$ 4,504,153</u>	<u>\$ 400,524</u>	<u>\$ 80,549</u>	<u>\$ 9,839</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Governmental Long-Term Debt Payable:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Total Authorized</u>	<u>Outstanding June 30, 2024</u>	<u>Current Year Changes</u>		<u>Outstanding June 30, 2025</u>	<u>Due Within One Year</u>
					<u>Issued</u>	<u>Matured</u>		
Governmental Long-Term Debt:								
Direct Placement Bonds:								
Lease Revenue Bonds, Series 2015 LBA - Admin Building	2015	2.5%	<u>\$ 972,000</u>	<u>\$ 750,393</u>	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 721,393</u>	<u>\$ 30,000</u>
Direct Borrowing:								
2020 Leases	2020	3.3%	219,289	57,480	-	57,480	-	-
2022 Excavator Note	2022	5.0%	<u>103,863</u>	<u>85,435</u>	<u>-</u>	<u>19,532</u>	<u>65,903</u>	<u>20,702</u>
Total Direct Borrowing			<u>323,152</u>	<u>142,915</u>	<u>-</u>	<u>77,012</u>	<u>65,903</u>	<u>20,702</u>
Other:								
Compensated Absences			-	63,043	23,390	-	86,433	-
Net Pension Liability			-	<u>225,518</u>	<u>77,280</u>	<u>-</u>	<u>302,798</u>	<u>-</u>
Total Other			-	<u>288,561</u>	<u>100,670</u>	<u>-</u>	<u>389,231</u>	<u>-</u>
Total Governmental Long-Term Debt			<u>\$ 1,295,152</u>	<u>\$ 1,181,869</u>	<u>\$ 100,670</u>	<u>\$ 106,012</u>	<u>\$ 1,176,527</u>	<u>\$ 50,702</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Business-Type Long-Term Debt Payable:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Total Authorized</u>	<u>Outstanding June 30, 2024</u>	<u>Current Year Changes</u>		<u>Outstanding June 30, 2025</u>	<u>Due Within One Year</u>
					<u>Issued</u>	<u>Matured</u>		
Business-Type Long-Term Debt:								
Direct Placement Bonds:								
Water Fund:								
Water Revenue Bonds, Series 2008	2008	2.05%	\$ 1,923,000	\$ 661,000	\$ -	\$ 105,000	\$ 556,000	\$ 107,000
Parity Water Revenue Bonds, Series 2013	2013	3.28%	660,000	505,000	-	18,000	487,000	19,000
Total Water Fund:			<u>2,583,000</u>	<u>1,166,000</u>	<u>-</u>	<u>123,000</u>	<u>1,043,000</u>	<u>126,000</u>
Sewer Fund:								
Sewer Revenue Bonds, Series 2005	2005	2.75%	4,500,000	470,000	-	235,000	235,000	235,000
Sewer Rev. Bonds, Series 2010B (Collection)	2010	-	122,880	43,680	-	6,240	37,440	6,240
Sewer Rev. Bonds, Series 2010B (Treatment)	2010	-	389,120	122,473	-	19,760	102,713	19,760
Total Sewer Fund:			<u>5,012,000</u>	<u>636,153</u>	<u>-</u>	<u>261,000</u>	<u>375,153</u>	<u>261,000</u>
Electric Fund:								
Electric Revenue Ref. Bonds, Series 2013	2013	3.3%	3,464,000	2,600,000	-	101,000	2,499,000	133,000
Electric Revenue Ref. Bonds, Series 2016	2016	.95%-3.30%	2,957,000	869,000	-	282,000	587,000	289,000
Total Electric Fund:			<u>6,421,000</u>	<u>3,469,000</u>	<u>-</u>	<u>383,000</u>	<u>3,086,000</u>	<u>422,000</u>
Total Direct Placement Bonds:			<u>\$ 14,016,000</u>	<u>\$ 5,271,153</u>	<u>\$ -</u>	<u>\$ 767,000</u>	<u>\$ 4,504,153</u>	<u>\$ 809,000</u>
Direct Borrowing:								
2022 Excavator Note	2022	5.0%	<u>126,948</u>	<u>104,423</u>	<u>-</u>	<u>23,874</u>	<u>80,549</u>	<u>25,304</u>
Other:								
Compensated Absences			-	80,161	5,509	-	85,670	-
Net Pension Liability			-	184,514	63,230	-	247,744	-
Total Other:			<u>-</u>	<u>264,675</u>	<u>68,739</u>	<u>-</u>	<u>333,414</u>	<u>-</u>
Total Business-Type Long-Term Debt			<u>\$ 14,142,948</u>	<u>\$ 5,640,251</u>	<u>\$ 68,739</u>	<u>\$ 790,874</u>	<u>\$ 4,918,116</u>	<u>\$ 834,304</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Inter-fund account balances as shown in the fund financial statements consisted of the following:

Note Payable reported in:	<u>Note Receivable Reported In</u>	
	<u>Due To</u>	<u>Due From</u>
Electric Fund	\$ 45,294	\$ -
Garbage Fund	-	45,294
	<u>-</u>	<u>45,294</u>
Total Interfund Balances	<u>\$ 45,294</u>	<u>\$ 45,294</u>

At year-end there was \$45,294 due from the Garbage Fund to the Electric Fund. The City has established a formal loan agreement between these funds. The Garbage fund will make eight (8) annual principal payments of \$45,293.63 with 2.25% interest. The first payment was made in fiscal year 2019, with the final payment to be made in fiscal year 2026.

Interfund transfers for the year ended June 30, 2025 are shown in the following table:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 50,000
Capital Improvements Fund	162,000	-
Water Fund	-	112,000
	<u>-</u>	<u>112,000</u>
Totals	<u>\$ 162,000</u>	<u>\$ 162,000</u>

Transfers are used to (1) cover costs associated with administration and overhead related to services provided by the City (2) fund future planned capital projects and, (3) fund future planned projects promoting economic growth.

NOTE 9 - CLASS C ROAD FUND

The following schedule is a statement of revenues, expenditures and changes in Class C Roads:

Balance - Beginning of Year	\$ -
Receipts:	
Class C Road Allotment	360,318
Expenditures:	
Maintenance	<u>(360,318)</u>
Balance - End of Year	<u>\$ -</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 10 - CEMETERY PERPETUAL CARE FUND

The following schedule is a statement of revenues, expenditures and changes in fund balances:

Fund Balance - Beginning of Year		\$	112,542
Operating Revenues:			
Sale of Perpetual Care Lots	\$	2,963	
Interest		<u>4,887</u>	
Total Revenues			7,850
Expenditures			<u>-</u>
Fund Balance - End of Year		\$	<u><u>120,392</u></u>

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in a prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 - POWER SALES AND PURCHASE CONTRACT

Parowan City has entered into a Power Sales Contract (Contract) which expires in 2077, to purchase approximately 0.364% of the output of the Intermountain Power Project (Project). The City has sold 0.018% of its entitlement to other Project participants, for the year. However, the City has the right to recall up to 100% of its entitlement upon meeting certain notice provisions. As long as any of the Intermountain Power Agency bonds are outstanding, the Contract cannot be terminated or amended in a manner which will impair or adversely affect the rights of any of the bondholders.

NOTE 13 - 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 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.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN

General Information about the Pension Plan

Plan Description:

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

Defined Benefit Plans:

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

Public Safety Retirement System (Public Safety System) is a mixed agent and cost sharing, multiple-employer public employee retirement system.

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

Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter 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 System's 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 East 200 South, Salt Lake City, Utah, 84102 or visiting the website:

www.urs.org/general/publications.

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)
Summary of Benefits by System:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage Per Year of Service	COLA**
Noncontributory System	Highest 3 Years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 Years	20 years, any age 10 years, age 60 4 years, age 65	2.5% per year up to 20 years; 2.0% per year; upon employer over 20 years	Up to 2.5% or 4% depending
Tier 2 Public Employees System	Highest 5 Years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year to June 30, 2020 2.0% per year July 1, 2020 to present	Up to 2.5%

* Actuarial reductions are applied.

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

Contribution Rate Summary:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost 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, 2025, are as follows:

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

Contribution Rate Summary:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost 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, 2025, are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>ER 401(k)</u>
Noncontributory System			
15 - Local Government - Tier 1 - DB System	-	16.97%	-
111 - Local Government - Tier 2 - DB Hybrid System	0.70%	15.19%	-
211 - Local Government - Tier 2 - 401(k) Option	-	5.19%	10.00%
Public Safety Noncontributory System			
43 - Other Div A 2.5% COLA - Tier 1 - DB System	-	33.54%	-
122 - Other Div A 2.5% COLA - Tier 2 - DB Hybrid Sys.	4.73%	25.33%	-
222 - Other Div A 2.5% COLA - Tier 2 - 401(k) Option	-	11.33%	14.00%

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

For fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 135,842	\$ -
Public Safety System	101,752	-
Tier 2 Public Employees System	80,501	3,688
Tier 2 Public Safety and Firefighter	32,287	5,675
Total Contributions	\$ 350,382	\$ 9,363

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Deferred Inflows of Resources Relating to Pensions:

At June 30, 2025, we reported a net pension liability of \$550,541 and a net pension asset of \$0.

	(Measurement Date): December 31, 2024				
	Net Pension Liability	Net Pension Asset	Proportionate Share - 2024	Proportionate Share - 2023	Change (Decrease)
Noncontributory					
System	\$ 272,749	\$ -	0.0860104%	0.0842093%	0.0018011%
Public Safety System	216,555	-	0.1399563%	0.1194224%	0.0205339%
Tier 2 Public					
Employees System	45,184	-	0.0151501%	0.0133692%	0.0017809%
Tier 2 Public Safety and Firefighter	16,054	-	0.0354945%	0.0474861%	-0.0119916%
Total	<u>\$ 550,541</u>	<u>\$ -</u>			

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024, 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 Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2025, we recognized pension expense of \$453,458.

At June 30, 2025, 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
Differences between expected and actual experience	\$ 214,655	\$ 1,155
Changes in assumptions	46,655	257
Net difference between projected and actual earnings on pension plan investments	123,564	-
Changes in proportion and differences between contributions and proportionate share of contributions	16,279	4,034
Contributions subsequent to the measurement date	171,439	-
Total	<u>\$ 572,593</u>	<u>\$ 5,445</u>

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

\$171,439 was reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

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,	Deferred Outflows (Inflows) of Resources
2025	\$ 192,697
2026	\$ 213,790
2027	\$ (43,988)
2028	\$ (3,071)
2029	\$ 13,599
Thereafter	\$ 22,682

Actuarial Assumptions:

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.50 - 9.50 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, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2023, valuation were based on the results of an actuarial experience for the period ending December 31, 2022.

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

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

Asset Class	Expected Return Arithmetic Basis		Long-Term Expected Portfolio Real Rate of Return
	Target Asset Allocation	Real Return Arithmetic Basis	
Equity Securities	35.00%	7.01%	2.45%
Debt Securities	20.00%	2.54%	0.51%
Real Assets	18.00%	5.45%	0.98%
Private Equity	12.00%	10.05%	1.21%
Absolute Return	15.00%	4.36%	0.65%
Cash and Cash Equivalents	0.00%	0.49%	0.00%
Totals	100.00%		5.80%
			Inflation 2.50%
			Expected arithmetic nominal return 8.30%

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (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%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.85%) or 1 percentage point higher (7.85%) than the current rate:

<u>System</u>	<u>1% Decrease or 5.85%</u>	<u>Discount Rate or 6.85%</u>	<u>1% Increase or 7.85%</u>
Noncontributory System	\$ 1,153,504	\$ 272,749	\$ (465,919)
Public Safety System	665,287	216,555	(149,604)
Tier 2 Public Employees System	134,953	45,184	(24,648)
Tier 2 Public Safety and Firefighter	54,742	16,054	(14,878)
	<u>\$ 2,008,486</u>	<u>\$ 550,541</u>	<u>\$ (655,049)</u>

Pension Plan Fiduciary Net Position:

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

Defined Contribution Savings Plans:

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

Parowan City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

PAROWAN CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLAN (CONTINUED)

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
401(k) Plan:			
Employer Contributions	\$ 61,482	\$ 51,301	\$ 51,357
Employee Contributions	\$ 47,601	\$ 39,118	\$ 33,647
457(b) Plan:			
Employer Contributions	\$ 21,961	\$ 26,165	\$ 22,723
Employee Contributions	\$ 43,464	\$ 36,533	\$ 31,107
Roth IRA Plan:			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 22,653	\$ 20,147	\$ 13,386

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

PAROWAN CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS
For The Fiscal Year Ended June 30, 2025

Budgetary Comparison Schedules:

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual presented in this section of the report are for the City's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Board 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 Board 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 Budgetary Compliance:

For the year ended June 30, 2025, spending for the City was within the approved budgets.

PAROWAN CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 831,429	\$ 831,429	\$ 849,249	\$ 17,820
Prior Years Taxes	40,000	40,000	2,216	(37,784)
General Sales and Use Taxes	735,420	735,420	778,538	43,118
RAP Tax	-	-	46,589	46,589
Telecommunications Tax	13,000	13,000	13,524	524
Cable Sales and Use Tax	4,900	100	1,296	1,196
Pole Attachment Lease	100	4,900	4,288	(612)
Questar Energy Tax	81,000	81,000	64,195	(16,805)
Electric Sales and Use Tax	131,500	131,500	146,789	15,289
Transient Room Tax	5,250	5,250	15,949	10,699
CRT County Donation	10,000	10,000	-	(10,000)
Fee-In-Lieu	85,000	85,000	121,329	36,329
Total Taxes	<u>1,937,599</u>	<u>1,937,599</u>	<u>2,043,962</u>	<u>106,363</u>
Licenses and Permits:				
Business Licenses	12,500	12,500	11,256	(1,244)
Non-Business Licenses and Permits	<u>23,000</u>	<u>23,000</u>	<u>29,469</u>	<u>6,469</u>
Total Licenses and Permits	<u>35,500</u>	<u>35,500</u>	<u>40,725</u>	<u>5,225</u>
Intergovernmental Revenue:				
Federal Grants	364,000	364,000	18,557	(345,443)
State Grants	150,015	150,015	48,569	(101,446)
Other Grants	20,000	20,000	20,000	-
Public Safety Grants	117,000	153,700	41,404	(112,296)
Class C Road	250,000	250,000	360,318	110,318
Airport County Grant	11,000	11,000	11,000	-
Library Area Contribution	47,500	47,500	51,235	3,735
Recreation County Grant	30,000	103,000	103,000	-
County Fire Contract	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total Intergovernmental Revenue	<u>1,029,515</u>	<u>1,139,215</u>	<u>694,083</u>	<u>(445,132)</u>

PAROWAN CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Budgetary Basis	
Revenues (Continued):				
Charges for Services:				
General Government	500	500	20,420	19,920
Public Safety	43,200	43,200	44,539	1,339
Recreation	54,400	54,400	52,751	(1,649)
Parks	39,000	39,000	42,786	3,786
Cemetery	33,500	33,500	29,362	(4,138)
Other	500	500	493	(7)
Total Charges for Services	171,100	171,100	190,351	19,251
Fines and Forfeitures	133,000	133,000	116,505	(16,495)
Miscellaneous Revenue:				
Interest	54,000	54,000	62,368	8,368
Impact Fees	34,900	34,900	25,839	(9,061)
Other	70,200	70,200	93,446	23,246
Use of Fund Balance	675,338	772,718	-	(772,718)
Total Miscellaneous Revenue	834,438	931,818	181,653	(750,165)
Other	4,141,152	4,348,232	3,267,279	(1,080,953)
Expenditures:				
General Government:				
Legislative	43,952	43,952	26,527	17,425
Court	122,250	143,750	144,787	(1,037)
Administration	174,750	180,050	182,652	(2,602)
Non-Departmental	108,400	110,900	83,175	27,725
Planning and Zoning	186,100	186,100	125,796	60,304
Visitors Center	85,900	91,300	92,642	(1,342)
Airport	417,800	417,800	30,294	387,506
Total General Government	1,139,152	1,173,852	685,873	487,979
Public Safety:				
Police Department	1,149,950	1,149,950	1,125,342	24,608
Animal Control	2,800	2,800	2,283	517
Fire Department	88,600	94,700	64,588	30,112
Total Public Safety	1,241,350	1,247,450	1,192,213	55,237

PAROWAN CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	
Expenditures (Continued):				
Highways and Public Improvements:				
Streets	<u>512,400</u>	<u>612,680</u>	<u>589,490</u>	<u>23,190</u>
Total Streets and Public Improvements	<u>512,400</u>	<u>612,680</u>	<u>589,490</u>	<u>23,190</u>
Parks, Recreation and Public Property:				
Parks	257,750	275,750	263,209	12,541
Events	110,750	110,750	89,247	21,503
Theater	20,900	20,900	16,520	4,380
Recreation	263,250	311,250	307,522	3,728
Library	173,250	173,250	157,739	15,511
Cemetery	103,600	103,600	119,803	(16,203)
Pool	<u>268,750</u>	<u>268,750</u>	<u>154,123</u>	<u>114,627</u>
Total Culture and Recreation	<u>\$ 1,198,250</u>	<u>\$1,264,250</u>	<u>\$1,108,163</u>	<u>\$ 156,087</u>
Transfers:				
Transfer to Capital Project Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Transfers In (Out)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Expenditures	<u>4,141,152</u>	<u>4,348,232</u>	<u>3,625,739</u>	<u>722,493</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	(358,460)	<u>\$ (358,460)</u>
Fund Balance - Beginning			<u>1,029,655</u>	
Fund Balance - Ending			<u>\$ 671,195</u>	

PAROWAN CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
Measurement Date of December 31, 2024
June 30, 2025
Last 10 Fiscal Years*

	Noncontributory Retirement System	Public Safety Retirement System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighter Retirement System
Proportion of the Net Pension Liability (Asset):				
2015	0.1130271%	0.1090479%	0.0131829%	0.0604425%
2016	0.1052285%	0.1123865%	0.0114677%	0.0463147%
2017	0.0133744%	0.1247169%	0.0143090%	0.0697406%
2018	0.0987636%	0.1242954%	0.0062215%	0.0542512%
2019	0.0968762%	0.1127704%	0.0091703%	0.0510069%
2020	0.0884780%	0.1292780%	0.0105551%	0.0544789%
2021	0.0923207%	0.1431075%	0.0114468%	0.0507284%
2022	0.0856044%	0.1463034%	0.0115687%	3.0408724%
2023	0.0842093%	0.1194224%	0.0133692%	0.0474861%
2024	0.0860104%	0.1399563%	0.0151501%	0.0354945%
Proportionate Share of the Net Pension Liability (Asset):				
2015	\$ 639,562	\$ 195,332	\$ (29)	\$ (883)
2016	\$ 675,696	\$ 228,063	\$ 1,279	\$ (402)
2017	\$ 452,914	\$ 195,638	\$ 1,262	\$ (807)
2018	\$ 727,268	\$ 319,760	\$ 2,665	\$ 1,359
2019	\$ 365,114	\$ 181,066	\$ 2,062	\$ 4,798
2020	\$ 45,384	\$ 107,332	\$ 1,518	\$ 4,886
2021	\$ (528,731)	\$ (116,224)	\$ (4,845)	\$ (2,564)
2022	\$ 146,619	\$ 189,181	\$ 12,597	\$ 3,410
2023	\$ 195,329	\$ 170,794	\$ 26,022	\$ 17,888
2024	\$ 272,749	\$ 216,555	\$ 45,184	\$ 16,054
Covered Employee Payroll:				
2015	\$ 976,312	\$ 485,767	\$ 85,130	\$ 35,960
2016	\$ 938,953	\$ 159,209	\$ 94,042	\$ 38,266
2017	\$ 909,315	\$ 169,369	\$ 140,184	\$ 73,627
2018	\$ 925,174	\$ 169,933	\$ 72,670	\$ 72,697
2019	\$ 917,490	\$ 152,551	\$ 127,421	\$ 84,074
2020	\$ 837,626	\$ 177,343	\$ 168,550	\$ 106,631
2021	\$ 875,467	\$ 197,286	\$ 212,391	\$ 121,310
2022	\$ 840,060	\$ 221,058	\$ 251,395	\$ 125,775
2023	\$ 851,961	\$ 171,060	\$ 345,638	\$ 179,927
2024	\$ 871,432	\$ 230,239	\$ 448,328	\$ 162,022
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll:				
2015	65.51%	128.14%	-0.03%	-2.46%
2016	71.96%	143.25%	1.36%	-1.05%
2017	49.81%	115.51%	0.90%	-1.10%
2018	78.61%	188.17%	3.67%	1.87%
2019	39.79%	118.69%	1.62%	5.71%
2020	5.42%	60.52%	0.90%	4.58%
2021	-60.39%	-58.91%	-2.28%	-2.11%
2022	17.45%	85.58%	5.01%	2.71%
2023	22.93%	99.84%	7.53%	9.94%
2024	31.30%	94.09%	10.08%	9.91%
Plan Fiduciary Net Position as a Percentage of its Covered-Employee Payroll:				
2015	87.80%	87.41%	100.20%	110.70%
2016	87.30%	86.50%	95.10%	103.60%
2017	91.90%	90.20%	97.40%	103.00%
2018	87.00%	84.70%	90.80%	95.60%
2019	93.70%	90.90%	96.50%	89.60%
2020	99.20%	95.50%	98.30%	93.10%
2021	108.70%	104.20%	103.80%	102.80%
2022	97.50%	93.60%	92.30%	96.40%
2023	96.90%	93.44%	89.58%	89.10%
2024	96.02%	93.30%	87.44%	90.10%

* 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.

PAROWAN CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2025

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to The Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	As a Percentage of Covered Employee Payroll
Noncontributory System	2016	\$ 179,806	\$ 179,806	\$ -	\$ 973,504	18.47%
	2017	\$ 169,022	\$ 169,022	\$ -	\$ 915,120	18.47%
	2018	\$ 170,581	\$ 170,581	\$ -	\$ 929,633	18.35%
	2019	\$ 162,791	\$ 162,791	\$ -	\$ 899,268	18.10%
	2020	\$ 159,354	\$ 159,354	\$ -	\$ 881,016	18.09%
	2021	\$ 152,980	\$ 152,980	\$ -	\$ 846,672	18.07%
	2022	\$ 155,493	\$ 155,493	\$ -	\$ 843,886	18.43%
	2023	\$ 156,497	\$ 156,497	\$ -	\$ 870,879	17.97%
	2024	\$ 157,076	\$ 157,076	\$ -	\$ 874,104	17.97%
	2025	\$ 135,842	\$ 135,842	\$ -	\$ 800,902	16.96%
Public Safety System	2016	\$ 52,684	\$ 52,684	\$ -	\$ 154,770	34.04%
	2017	\$ 56,409	\$ 56,409	\$ -	\$ 165,713	34.04%
	2018	\$ 58,026	\$ 58,026	\$ -	\$ 170,464	34.04%
	2019	\$ 56,218	\$ 56,218	\$ -	\$ 165,154	34.04%
	2020	\$ 53,804	\$ 53,804	\$ -	\$ 158,060	34.04%
	2021	\$ 63,093	\$ 63,093	\$ -	\$ 185,551	34.00%
	2022	\$ 65,886	\$ 65,886	\$ -	\$ 193,554	34.04%
	2023	\$ 73,403	\$ 73,403	\$ -	\$ 215,639	34.04%
	2024	\$ 59,468	\$ 59,468	\$ -	\$ 174,699	34.04%
	2025	\$ 101,752	\$ 101,752	\$ -	\$ 303,375	33.54%
Tier 2 Public Employees System	2016	\$ 10,010	\$ 10,010	\$ -	\$ 67,125	14.91%
	2017	\$ 19,840	\$ 19,840	\$ -	\$ 133,067	14.91%
	2018	\$ 15,668	\$ 15,668	\$ -	\$ 103,691	15.11%
	2019	\$ 15,010	\$ 15,010	\$ -	\$ 96,587	15.54%
	2020	\$ 21,467	\$ 21,467	\$ -	\$ 137,078	15.66%
	2021	\$ 31,272	\$ 31,272	\$ -	\$ 197,925	15.80%
	2022	\$ 34,103	\$ 34,103	\$ -	\$ 212,219	16.07%
	2023	\$ 51,658	\$ 51,658	\$ -	\$ 322,656	16.01%
	2024	\$ 58,347	\$ 58,347	\$ -	\$ 364,443	16.01%
	2025	\$ 80,501	\$ 80,501	\$ -	\$ 529,957	15.19%

PAROWAN CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2025

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to The Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	As a Percentage of Covered Employee Payroll
Tier 2 Public Safety and Firefighter System	2016	\$ 7,538	\$ 7,538	\$ -	\$ 36,091	20.89%
	2017	\$ 12,711	\$ 12,711	\$ -	\$ 56,493	22.50%
	2018	\$ 16,749	\$ 16,749	\$ -	\$ 74,208	22.57%
	2019	\$ 17,703	\$ 17,703	\$ -	\$ 76,671	23.09%
	2020	\$ 20,081	\$ 20,081	\$ -	\$ 86,819	23.13%
	2021	\$ 33,735	\$ 33,735	\$ -	\$ 130,605	25.83%
	2022	\$ 28,614	\$ 28,614	\$ -	\$ 110,778	25.83%
	2023	\$ 40,359	\$ 40,359	\$ -	\$ 156,248	25.83%
	2024	\$ 47,913	\$ 47,913	\$ -	\$ 185,494	25.83%
	2025	\$ 32,287	\$ 32,287	\$ -	\$ 125,253	25.78%

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

Paragraph 81b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

PAROWAN CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
For The Fiscal Year Ended June 30, 2025

Changes in Assumptions:

There were no changes in actuarial assumptions or methods since the prior actuarial valuation.

COMBINING FINANCIAL STATEMENTS

**PAROWAN CITY
COMBINING NONMAJOR FUNDS
For The Fiscal Year Ended June 30, 2025**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Wildland Fire Fund:

The Wildland Fire Fund accounts for funds received and expended on wildland fires.

DEBT SERVICE FUND

Local Building Authority Fund:

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

CAPITAL PROJECT FUNDS

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

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

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

PERMANENT FUND

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

Perpetual Care Permanent Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

PROPRIETARY FUNDS

Proprietary funds are used to account for the provisions of utility services to the residents of the City.

Garbage Fund:

The Garbage Fund is used to account for the activities of the City's garbage collection service.

Pressurized Irrigation Fund:

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

PAROWAN CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue	Debt Service Local Building Authority Fund	Capital Projects		Permanent Fund Perpetual Care	Totals Nonmajor Governmental Funds
	Wildland Fires Fund		Airport Fund	Community Theatre Fund		
ASSETS						
Cash and Investments	\$ 487	\$ 42,000	\$ 3,478	\$ 2,029	\$ -	\$ 47,994
Cash and Investments-Restricted	-	-	-	-	120,392	120,392
TOTAL ASSETS	\$ 487	\$ 42,000	\$ 3,478	\$ 2,029	\$ 120,392	\$ 168,386
LIABILITIES AND FUND BALANCES						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances:						
Restricted For:						
Perpetual Care	-	-	-	-	120,392	120,392
Assigned:						
Capital Projects	-	-	3,478	2,029	-	5,507
Debt Service		42,000				42,000
Public Safety	487	-	-	-	-	487
Total Fund Balances	487	42,000	3,478	2,029	120,392	168,386
TOTAL LIABILITIES AND FUND BALANCES	\$ 487	\$ 42,000	\$ 3,478	\$ 2,029	\$ 120,392	\$ 168,386

PAROWAN CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2025

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent Fund</u>	<u>Totals</u>
	<u>Wildland Fires Fund</u>	<u>Local Building Authority Fund</u>	<u>Airport Fund</u>	<u>Community Theatre Fund</u>	<u>Perpetual Care</u>	<u>Nonmajor Governmental Funds</u>
Revenues:						
Lease Revenue	\$ -	\$ 40,310	\$ -	\$ -	\$ -	\$ 40,310
Interest	-	-	-	-	4,887	4,887
Perpetual Care	-	-	-	-	2,963	2,963
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,963</u>	<u>2,963</u>
Total Revenues	<u>-</u>	<u>40,310</u>	<u>-</u>	<u>-</u>	<u>7,850</u>	<u>48,160</u>
Expenditures:						
Debt Service:						
Principal	-	29,000	-	-	-	29,000
Interest	-	11,310	-	-	-	11,310
	<u>-</u>	<u>11,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,310</u>
Total Expenditures	<u>-</u>	<u>40,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,310</u>
Net Change in Fund Balance	-	-	-	-	7,850	7,850
Fund Balances - Beginning	<u>487</u>	<u>42,000</u>	<u>3,478</u>	<u>2,029</u>	<u>112,542</u>	<u>160,536</u>
Fund Balances - Ending	<u>\$ 487</u>	<u>\$ 42,000</u>	<u>\$ 3,478</u>	<u>\$ 2,029</u>	<u>\$ 120,392</u>	<u>\$ 168,386</u>

PAROWAN CITY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2025

	Nonmajor Business-Type Activities Enterprise Funds		
	Garbage Fund	Pressurized Irrigation Fund	Total
ASSETS:			
Current Assets:			
Cash and Investments	\$ 712,608	\$ 602,757	\$ 1,315,365
Accounts Receivable	28,830	21,805	50,635
Total Current Assets	<u>741,438</u>	<u>624,562</u>	<u>1,366,000</u>
Noncurrent Assets:			
Land, Water Stock and Water Rights	-	10,717	10,717
Other Capital Assets (Net of Accumulated Depreciation)	3,385	303,130	306,515
Total Noncurrent Assets	<u>3,385</u>	<u>313,847</u>	<u>317,232</u>
TOTAL ASSETS	<u>744,823</u>	<u>938,409</u>	<u>1,683,232</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related To Pensions	<u>11,452</u>	<u>22,904</u>	<u>34,356</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 756,275</u>	<u>\$ 961,313</u>	<u>\$ 1,717,588</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 36,078	\$ 16,136	\$ 52,214
Due to Other Fund	45,294	-	45,294
Long-Term Debt-Due Within One Year	-	5,061	5,061
Total Current Liabilities	<u>81,372</u>	<u>21,197</u>	<u>102,569</u>
Noncurrent Liabilities:			
Compensated Absences	1,336	8,418	9,754
Net Pension Liability	11,011	22,022	33,033
Long-Term Debt-Due More Than One Year	-	11,049	11,049
Total Noncurrent Liabilities	<u>12,347</u>	<u>41,489</u>	<u>53,836</u>
Total Liabilities	<u>93,719</u>	<u>62,686</u>	<u>156,405</u>
DEFERRED INFLOWS OF RESOURCES:			
Related To Pensions	<u>109</u>	<u>218</u>	<u>327</u>
NET POSITION:			
Net Investment in Capital Assets	3,385	287,050	290,435
Unrestricted	659,062	611,359	1,270,421
TOTAL NET POSITION	<u>662,447</u>	<u>898,409</u>	<u>1,560,856</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 756,275</u>	<u>\$ 961,313</u>	<u>\$ 1,717,588</u>

PAROWAN CITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2025

	Nonmajor Business-Type Activities Enterprise Funds		
	Garbage Fund	Pressurized Irrigation Fund	Total
Operating Revenues:			
Charges for Sales and Services	\$ 326,921	\$ 260,900	\$ 587,821
Other Operating Income	4,865	-	4,865
Total Operating Revenues	<u>331,786</u>	<u>260,900</u>	<u>592,686</u>
Operating Expenses:			
Personnel Services	79,038	131,549	210,587
Operating and Maintenance	19,832	22,520	42,352
Contract Services	65,172	11,751	76,923
Insurance	14,391	35,416	49,807
Supplies	10,209	34,435	44,644
Depreciation	4,416	32,451	36,867
Total Operating Expenses	<u>193,058</u>	<u>268,122</u>	<u>461,180</u>
Total Operating Income	<u>138,728</u>	<u>(7,222)</u>	<u>131,506</u>
Nonoperating Revenues (Expenses):			
Interest Income	29,366	25,186	54,552
Interest on Long-Term Debt	(2,038)	-	(2,038)
Pension Benefit Expense	(2,083)	(4,165)	(6,248)
Total Nonoperating Revenue (Expenses)	<u>25,245</u>	<u>21,021</u>	<u>46,266</u>
Change in Net Position	163,973	13,799	177,772
Net Position - Beginning	<u>498,474</u>	<u>884,610</u>	<u>1,383,084</u>
Net Position - Ending	<u>\$ 662,447</u>	<u>\$ 898,409</u>	<u>\$ 1,560,856</u>

PAROWAN CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For The Fiscal Year Ended June 30, 2025

	Nonmajor Business-Type Activities Enterprise Funds		
	Garbage Fund	Pressurized Irrigation Fund	Total
Cash Flows From Operating Activities:			
Receipts From Customers	\$ 330,661	\$ 266,909	\$ 597,570
Payments to Suppliers	(106,401)	(90,430)	(196,831)
Payments to Employees	(79,038)	(131,549)	(210,587)
Net Cash Provided by Operating Activities	145,222	44,930	190,152
Cash Flows from Noncapital Financing Activities:			
Net Interfund Activities	(45,293)	-	(45,293)
Net Cash Provided (Used) From Noncapital Financing Activities	(45,293)	-	(45,293)
Cash Flows from Capital and Related Financing Activities:			
Long-Term Debt Principal	-	(4,775)	(4,775)
Long-Term Debt Interest	(2,038)	-	(2,038)
Net Cash Provided (Used) Capital and Related Financing Activities	(2,038)	(4,775)	(6,813)
Cash Flows From Investing Activities:			
Interest Earned	29,366	25,186	54,552
Net Cash Provided (Used) in Investing Activities	29,366	25,186	54,552
Net Increase (Decrease) in Cash and Investments	127,257	65,341	192,598
Cash and Investments - Beginning	585,351	537,416	1,122,767
Cash and Investments - Ending	\$ 712,608	\$ 602,757	\$ 1,315,365
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	\$ 138,728	\$ (7,222)	131,506
Adjustments to Reconcile Operating Income to Net Income:			
Depreciation Expense	4,416	32,451	36,867
Cash Provided (Used) By Operating Activities:			
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(1,125)	6,009	4,884
Accounts Payable	4,052	14,024	18,076
Compensated Absences	(849)	(332)	(1,181)
Total Adjustments	6,494	52,152	58,646
Net Cash Provided (Used) By Operating Activities	\$ 145,222	\$ 44,930	\$ 190,152

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Parowan City
Parowan, Utah 84761

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-type activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Parowan City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Parowan City's financial statements, and have issued our report thereon dated December 1, 2025.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to the management of Parowan City in the accompanying *Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide*.

Purpose of this Report

This 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.

Kimball & Roberts, PC

Certified Public Accountants

December 1, 2025
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Parowan City
Parowan, Utah 84761

Report on Compliance with General State Compliance Requirements

We have audited Parowan City's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2025.

State compliance requirements were tested for the year ended June 30, 2025, in the following areas:

Budgetary Compliance
Fund Balance
Fraud Risk Assessment
Treasurer's Bond
Cash Management

Governmental Fees
Open and Public Meetings
Restricted Taxes and Related Revenues
Utah Retirement Systems

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion Parowan City complied in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide*, and which is described below. Our opinion on compliance is not modified with respect to these matters.

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

Finding: State Compliance – Fraud Risk Assessment Not Completed and Approved Within the Fiscal Year

Criteria:

Per Utah Code 51-2a-201.5, and guidance from the Utah State Auditor's Office, each municipality must complete and approve a Fraud Risk Assessment annually within the fiscal year to assess internal controls and risk mitigation practices. The assessment must be approved by the governing body and retained for audit review.

Condition:

The City's Fraud Risk Assessment for fiscal year 2025 was not completed and approved by the governing body within the required fiscal year. The assessment was performed after fiscal year-end and was not formally reviewed or adopted in a public council meeting as required.

Cause:

The delay in completion and approval was due to a misunderstanding of timing requirements and lack of a formalized internal process to ensure timely council presentation and adoption.

Effect:

Failure to complete and approve the Fraud Risk Assessment within the fiscal year results in noncompliance with state requirements and limits management's ability to formally evaluate and document internal controls and fraud prevention practices.

Auditor's Recommendation:

We recommend that Parowan City ensure the Fraud Risk Assessment is completed, presented to, and approved by the City Council annually within the fiscal year. Management should assign responsibility for timely completion and maintain documentation of approval in meeting minutes.

Parowan City's Response:

Parowan City had 75% of our front office staff turnover within a two-month period during the fiscal year 2025 including the City Treasurer and Deputy City Treasurer. Due to no overlap in employment for training purposes, the Fraud Risk Assessment was missed and not discovered until the annual audit. Our new Treasurer and support staff has now been trained in the process of completing the Fraud Risk Assessment. Future submissions will be completed within the fiscal year and uploaded to the State Auditor within the time limit.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Kimball & Roberts, PC
Certified Public Accountants

December 1, 2025
Richfield, Utah