

**HIGHLAND CITY, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**



HIGHLAND CITY

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Report on the Audit of 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 Highland City, Utah (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, budgetary comparison schedule for the General fund, budgetary comparison schedule for the Road Fee special revenue fund, and notes to the required supplementary information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 30, 2024

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2023

The management of Highland City presents the following narrative and analysis of the financial statements and financial activities of Highland City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2023.

Financial Highlights

The assets and deferred outflows of resources of Highland City exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$159,920,458 (net position). Of this amount \$26,395,414 (unrestricted net position) may be used to meet the government's ongoing obligations.

Highland City's total net position increased by \$13,660,080. The majority of the increase was the result of assets contributed to the City from developers, and increases in grant revenues earned during the year.

Highland City's governmental funds reported combined ending fund balances at June 30, 2023 of \$16,893,478, an increase of \$188,070. At June 30, 2023 unrestricted fund balance of the general fund was \$5,443,273, or 55.9% of total general fund expenditures for the year, and 35% of the total general fund revenues, which is within the unrestricted general fund balance limitation of 35% required by the Utah State Code.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Highland City's basic financial statements. Highland 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 financial position and changes in financial position, similar to consolidated financial statements in a private sector business. The statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of Highland City's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Increases or decreases over time in net position gives an indicator as to whether the financial condition of the City is improving or declining.

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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., debt interest payment when the fiscal year ends between interest payments).

Both of the government-wide financial statements distinguish functions of Highland 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 governmental activities of Highland City include general government, public safety, streets and public improvements, parks and recreation, cemetery, and garbage. The business-type activities of Highland City include services for water, pressurized irrigation, sewer (sanitary), and storm sewer.

The government-wide financial statements include Highland City (known as the primary government) and a separate legal entity (known as component unit). The financial information for the Highland Open Space Special Service District is included in the financial statements. However, because the City's governing body is the same as the governing board of this component unit and can substantially control it, their financial information is blended and reported together with the financial information presented for the primary government.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Highland City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of Highland 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. However, unlike 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. Such information may be useful in evaluating the near-term financing requirements.

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 the 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Highland City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, road fee special revenue fund, capital projects – parks, and capital projects – roads fund which are considered to be major funds. Data from the other nine (9) governmental funds is provided in the form of individual and combining statements elsewhere in this report.

Highland City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the approved budget amounts.

Proprietary funds

Highland City maintains two types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, pressurized irrigation, sewer, and storm sewer. A few years ago, the City created the internal service fund to account for IT services purchased and used throughout the City's departments and funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, secondary water and storm sewer, and include a separate column for the internal service fund.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with nonmajor governmental funds. They are presented immediately following the notes to the financial statements.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Government-wide Financial Analysis

As noted earlier, net position is an indicator of a government's financial position. In the case of Highland City, assets and deferred outflows exceeded liabilities and deferred inflows by \$159,920,458 at the close of the fiscal year. The largest portion (82.5%) of the City's net position reflects its investment in capital assets (land, buildings, machinery and equipment) and infrastructure (roads, sidewalks, curb and gutter and various utility lines and storage facilities); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

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

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Current and other assets	\$ 21,726,178	\$ 23,797,930	\$ 13,281,738	\$ 12,952,018	\$ 35,007,916	\$ 36,749,948
Capital assets	73,177,813	67,400,609	64,674,717	57,924,644	137,852,530	125,325,253
Total Assets	94,903,991	91,198,539	77,956,455	70,876,662	172,860,446	162,075,201
Deferred outflows of resources	431,060	395,195	204,280	150,379	635,340	545,574
Total Assets and Deferred Outflows	\$ 95,335,051	\$ 91,593,734	\$ 78,160,735	\$ 71,027,041	\$173,495,786	\$162,620,775
Current and other liabilities	\$ 2,434,774	\$ 4,322,229	\$ 2,066,043	\$ 1,192,580	\$ 4,500,817	\$ 5,514,809
Long-term liabilities	4,989,443	5,623,124	1,657,656	1,811,695	6,647,099	7,434,819
Total Liabilities	7,424,217	9,945,353	3,723,699	3,004,275	11,147,916	12,949,628
Deferred inflows of resources	2,424,951	3,026,572	2,461	384,197	2,427,412	3,410,769
Net Position:						
Net investment in capital assets	68,743,874	62,144,588	63,228,071	56,215,926	131,971,945	118,360,514
Restricted	1,295,110	1,127,940	257,989	552,927	1,553,099	1,680,867
Unrestricted	15,446,899	15,349,281	10,948,515	10,869,716	26,395,414	26,218,997
Total Net Position	85,485,883	78,621,809	74,434,575	67,638,569	159,920,458	146,260,378
Total Liabilities, deferred inflows of Resources, and Net Position	\$ 95,335,051	\$ 91,593,734	\$ 78,160,735	\$ 71,027,041	\$173,495,786	\$162,620,775

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Revenues:						
Program revenues:						
Charges for services	\$ 6,323,456	\$ 5,981,754	\$ 7,697,522	\$ 6,766,838	\$ 14,020,978	\$ 12,748,592
Operating grants and contributions	1,729,237	932,459	-	-	1,729,237	932,459
Capital grants and contributions	5,315,068	2,711,306	6,391,185	2,240,007	11,706,253	4,951,313
General revenues:						
Property and uniform vehicle taxes	2,774,434	2,511,000	-	-	2,774,434	2,511,000
Other Taxes	5,631,709	5,106,606	-	-	5,631,709	5,106,606
Other	700,935	105,036	394,762	65,569	1,095,697	170,605
Gain (Loss) on disposal of assets	153,928	886,207	15,000	-	168,928	886,207
Total Revenues	<u>22,628,767</u>	<u>18,234,368</u>	<u>14,498,469</u>	<u>9,072,414</u>	<u>37,127,236</u>	<u>27,306,782</u>
Expenses:						
General government	3,076,125	2,666,511	-	-	3,076,125	2,666,511
Public safety	5,180,797	4,450,875	-	-	5,180,797	4,450,875
Streets and public improvements	4,716,650	5,209,122	-	-	4,716,650	5,209,122
Parks and recreation	1,198,185	1,138,634	-	-	1,198,185	1,138,634
Cemetery	325,695	207,183	-	-	325,695	207,183
Garbage	1,134,262	1,062,030	-	-	1,134,262	1,062,030
Interest on long-term debt	126,371	142,567	-	-	126,371	142,567
Water	-	-	1,507,763	1,564,468	1,507,763	1,564,468
Pressurized irrigation	-	-	1,489,135	2,051,848	1,489,135	2,051,848
Storm sewer	-	-	966,044	923,193	966,044	923,193
Sewer	-	-	3,746,129	2,248,933	3,746,129	2,248,933
Total Expenses	<u>15,758,085</u>	<u>14,876,922</u>	<u>7,709,071</u>	<u>6,788,442</u>	<u>23,467,156</u>	<u>21,665,364</u>
Increase (Decrease) in net position before transfers	6,870,682	3,357,446	6,789,398	2,283,972	13,660,080	5,641,418
Transfers	(6,608)	525,000	6,608	(525,000)	-	-
Increase (Decrease) in Net Position	<u>6,864,074</u>	<u>3,882,446</u>	<u>6,796,006</u>	<u>1,758,972</u>	<u>13,660,080</u>	<u>5,641,418</u>
Net Position - Beginning	<u>78,621,809</u>	<u>74,739,363</u>	<u>67,638,569</u>	<u>65,879,597</u>	<u>146,260,378</u>	<u>140,618,960</u>
Net Position - Ending	<u>\$ 85,485,883</u>	<u>\$ 78,621,809</u>	<u>\$ 74,434,575</u>	<u>\$ 67,638,569</u>	<u>\$159,920,458</u>	<u>\$146,260,378</u>

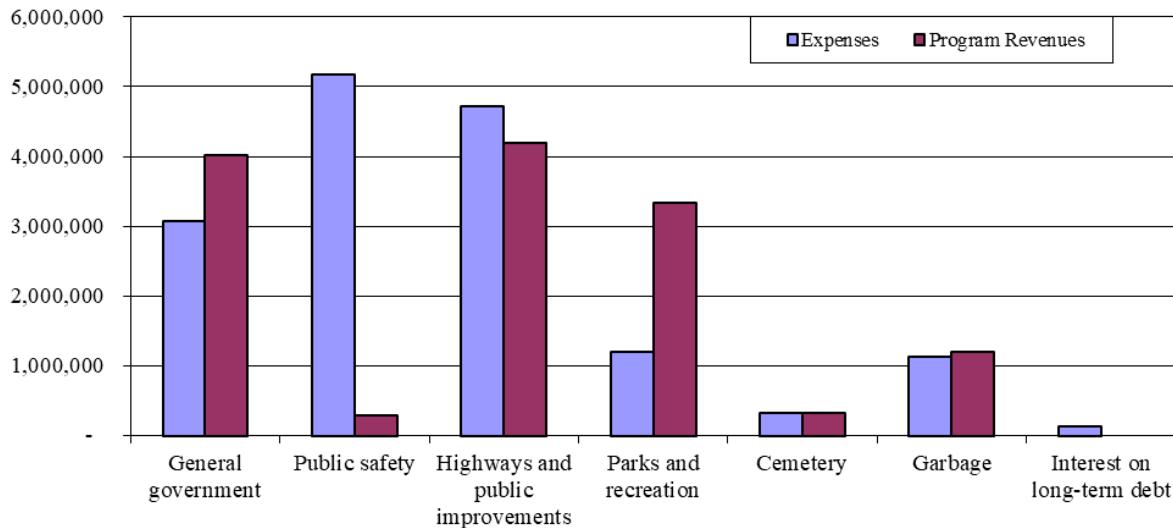
Governmental activities. As noted in the table above, governmental activities increased the City's net position by \$6,864,074. The key element of the increase was assets contributed by developers, and capital and operating grants. Some increases in property and sales tax revenues, also contributed to the overall increase.

Business-type activities. As noted in the table above, business-type activities increased the City's net position by \$6,796,006. The key elements of the increase from the prior year were increases in grant funds earned related to the water and pressurized irrigation funds, charges for services, and conservative spending.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

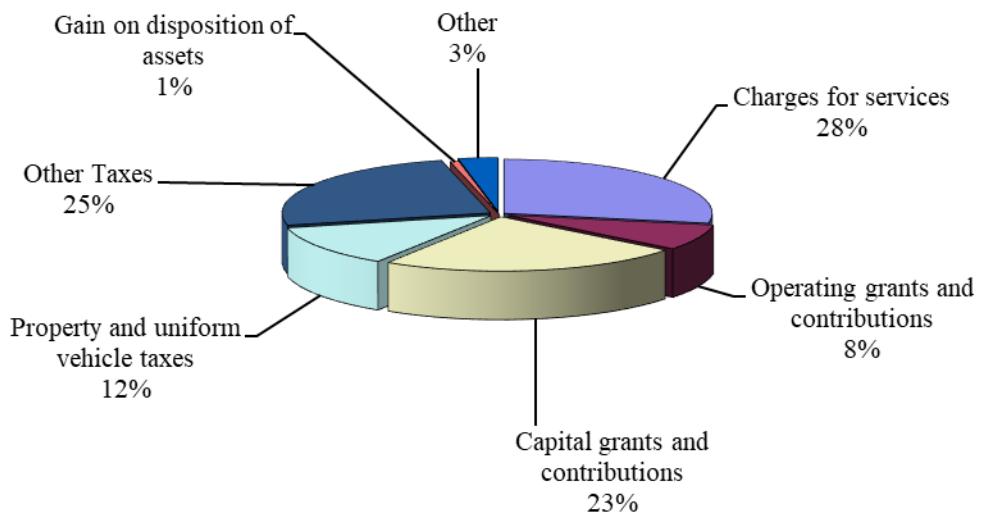
The following chart displays the governmental activities program revenues compared to expenses attributed to the activity.

Expenses and Program Revenues - Governmental Activities



The following chart displays the governmental activities program revenues by type.

Revenues by Source - Governmental Activities

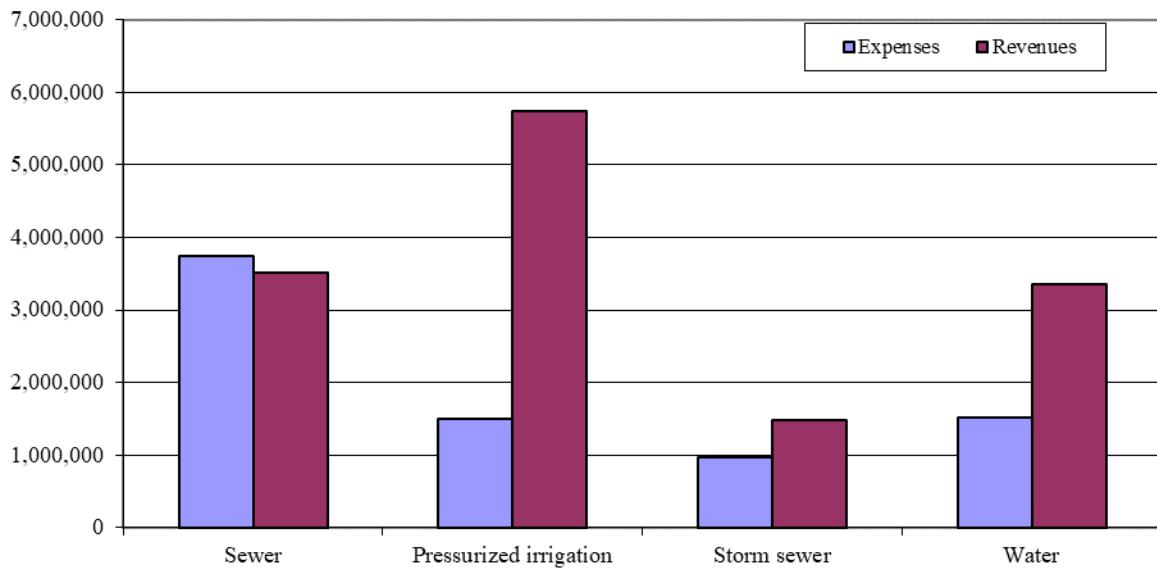


HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Business-type Activities

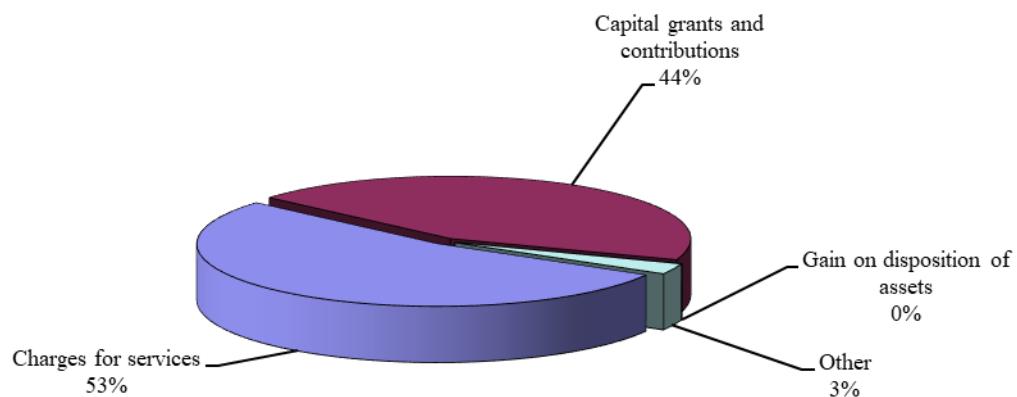
The following chart displays the business-type activities revenues compared to program expenses attributed to the activity. Traditionally business-type activities are self-supporting and the chart depicts the relationship of revenues to expenses.

Expenses and Program Revenues - Business-type Activities



The following chart displays the business-type activities revenues by type.

Revenues by Source - Business-type Activities



HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Financial Analysis of the Government's Funds

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

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

At June 30, 2023, the City's governmental funds reported combined ending fund balances of \$16,893,478, which was an increase of \$188,070 in comparison with the prior year.

The general fund is the main operating fund of the City. At June 30, 2023, unrestricted fund balance of the general fund was \$5,443,273. A comparison of the unrestricted fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unrestricted fund balance represented 55.9% of total general fund expenditures. Unrestricted fund balance also represented 35% of the general fund revenues, which is within the unrestricted general fund balance limitation of 35% required by the Utah State Code.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in more detail.

Sewer fund-Unrestricted net position at June 30, 2023 amounted to \$2,308,718, which is a decrease of \$1,121,360 from the previous year. Operating revenues were \$2,410,337 compared to the prior year's \$2,186,169 due to increases in charges for services. Operating expenses were \$3,746,461 compared to the prior year expenses of \$2,248,923 due to the use of beginning fund balance to help fund sewer line, pump station, and lift station projects during the year.

Pressurized Irrigation fund-Unrestricted net position at June 30, 2023 amounted to \$5,555,977, an increase of \$354,261 from the previous year. Operating revenues were \$2,612,253, compared to the prior year's \$2,481,185. Operating expenses were \$1,467,070, a decrease from last year's \$2,027,480 largely due to less uncapitalized repair and maintenance costs than the prior year.

Culinary Water Fund-Unrestricted net position at June 30, 2023 amounted to \$1,219,530 an increase of \$622,092 from the previous year. Operating revenues were \$1,763,130, an increase from the prior year's \$1,286,715 operating revenues. Operating expenses were \$1,508,171, which was a decrease from the prior year's \$1,564,455 operating expenses largely due to decreases in repair and maintenance costs.

Storm Sewer fund- Unrestricted net position at June 30, 2023 amounted to \$1,862,697, an increase of \$222,452 from the previous year. Operating revenues were \$926,802, an increase from the prior year's \$812,769 operating revenues. Operating expenses of \$966,252, an increase from the prior year's \$923,187 of operating expenses due to an increase operating and maintenance costs.

IT internal service fund- Unrestricted net position at June 30, 2023 amounted to \$8,113 an increase of \$9,579 from the prior year. Operating revenues were \$49,945, an increase from the prior year's \$42,598 and operating expenses of \$40,366 a decrease from the prior year's \$42,867 of operating expenses.

General Fund Budgetary Highlights

During the fiscal year, the general funds original budgeted expenditures was amended from \$9,701,889 to a final budget total of \$10,072,595, largely as the result of anticipated increases of Public Safety and General Government expenditures. The City's general fund came in \$333,536 under the final amended budget.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2023 was \$137,852,530 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and water stock. The total increase in the City's investment in capital assets for the current year was \$12,527,277, which is primarily as a result of assets contributed from developers and other capital projects undertaken or continued during the year related to parks, water lines, and pressurized irrigation meters.

A summary of the City's capital assets by category are shown in the table below.

Highland City's Capital Assets

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Land	\$ 37,595,985	\$ 37,499,684	\$ 534,455	\$ 534,455	\$ 38,130,440	\$ 38,034,139
Buildings	14,998,508	14,998,508	1,157,289	1,157,289	16,155,797	16,155,797
Improvements other than buildings	84,703,603	80,750,825	52,812,406	49,501,246	137,516,009	130,252,071
Machinery and equipment	3,553,163	2,691,380	3,094,366	2,776,492	6,647,529	5,467,872
Construction in progress	5,859,811	2,525,400	8,326,743	3,431,786	14,186,554	5,957,186
Water shares	-	-	24,218,106	24,218,106	24,218,106	24,218,106
Total	146,711,070	138,465,797	90,143,365	81,619,374	236,854,435	220,085,171
Less accumulated depreciation	(73,533,257)	(71,065,188)	(25,468,648)	(23,694,730)	(99,001,905)	(94,759,918)
Total Capital Assets, net	\$ 73,177,813	\$ 67,400,609	\$ 64,674,717	\$ 57,924,644	\$137,852,530	\$125,325,253

Additional information on the City's capital assets is available in Note 6 to the financial statements.

Long-term debt. On June 30, 2023 the City had total bonded debt outstanding of \$4,574,000.

Highland City's Outstanding Debt

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Revenue bonds	\$ 4,574,000	\$ 5,437,000	\$ -	\$ -	\$ 4,574,000	\$ 5,437,000
Notes payable	-	-	1,446,646	1,708,718	1,446,646	1,708,718
Compensated absences	260,110	186,124	101,765	102,977	361,875	289,101
Total	\$ 4,834,110	\$ 5,623,124	\$ 1,548,411	\$ 1,811,695	\$ 6,382,521	\$ 7,434,819

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value of \$2,834,236,797, except cities of the fourth class (Highland City is classified as a fourth class city) may issue debt up to an additional 8% of its total taxable property value for water systems, artificial lighting systems or sewer systems. On June 30, 2023 the City's limitation was \$113,369,472 and the additional limitation was \$226,738,944. The City does not have any general obligation bonds outstanding at June 30, 2023.

Additional information about the City's long-term debt is available in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2023-2024 budget and rates are based on the forecast that the Utah economy will continue to experience growth and increased inflation. Sales tax revenues are budgeted to trend upwards still as population in the area continues to grow and consumer activity remains strong. Permit and fee revenues are expected to increase based on new construction in Highland. Expenditures overall have been budgeted to increase due to inflation being experienced throughout the area.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2023

Request for Information

This financial report is designed to provide a general overview of Highland City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Highland City, Finance Director, 5400 W. Civic Center Drive, Suite #1, Highland, Utah 84003.

BASIC FINANCIAL STATEMENTS

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 16,498,450	\$ 12,193,874	\$ 28,692,324
Receivables:			
Accounts	18,858	49,821	68,679
Taxes	2,474,177	-	2,474,177
Due from other governments	479,648	542,896	1,022,544
Lease receivable	98,318	-	98,318
Notes receivable	-	235,565	235,565
Internal Balances	(1,593)	1,593	-
Prepaid expenses	6,161	-	6,161
Restricted amounts:			
Cash and cash equivalents	2,152,159	257,989	2,410,148
Capital Assets:			
Non-depreciable Capital Assets	43,455,796	33,079,304	76,535,100
Depreciable Capital Assets (net)	29,722,017	31,595,413	61,317,430
Total Assets	94,903,991	77,956,455	172,860,446
Deferred Outflows of Resources			
Deferred loss on refunding	140,061	-	140,061
Deferred outflows relating to pensions	290,999	204,280	495,279
Total Deferred Outflows of Resources	431,060	204,280	635,340
Total Assets and Deferred Outflows of Resources	\$ 95,335,051	\$ 78,160,735	\$ 173,495,786
Liabilities:			
Accounts payable	\$ 867,505	\$ 1,175,980	\$ 2,043,485
Accrued liabilities	90,727	13,076	103,803
Retainage payable	271,737		271,737
Accrued interest payable	29,285	16,200	45,485
Developer and customer deposits	1,120,538	-	1,120,538
Unearned revenues	21,126	860,787	881,913
Payable from restricted assets	33,856	-	33,856
Noncurrent Liabilities:			
Due within one year	1,010,256	156,104	1,166,360
Due in more than one year	3,823,854	1,392,307	5,216,161
Net pension liability	155,333	109,245	264,578
Total Liabilities	7,424,217	3,723,699	11,147,916
Deferred Inflows of Resources			
Unearned property tax revenue	2,322,373	-	2,322,373
Deferred inflows relating to pensions	4,260	2,461	6,721
Deferred inflows relating to lease receivables	98,318	-	98,318
Total Deferred Inflows of Resources	2,424,951	2,461	2,427,412
Total Liabilities and Deferred Inflows of Resources	9,849,168	3,726,160	13,575,328
Net Position:			
Net investment in capital assets	68,743,874	63,228,071	131,971,945
Restricted for:			
Debt Service	-	33,480	33,480
Impact fees	382,076	224,509	606,585
RAP/Zoo/Arts	186,839	-	186,839
Development fees	276,349	-	276,349
Open space	449,846	-	449,846
Unrestricted	15,446,899	10,948,515	26,395,414
Total Net Position	85,485,883	74,434,575	159,920,458
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 95,335,051	\$ 78,160,735	\$ 173,495,786

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

HIGHLAND CITY, UTAH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

Functions/Programs	Program Revenues					Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General government	\$ 3,076,125	\$ 3,180,105	\$ 776,199	\$ 61,775	\$ 941,954	\$ -	\$ 941,954	
Public safety	5,180,797	186,857	20,670	83,483	(4,889,787)	-	(4,889,787)	
Streets and public works	4,716,650	1,280,022	932,368	1,983,522	(520,738)	-	(520,738)	
Parks and recreation	1,198,185	141,236	-	3,186,288	2,129,339	-	2,129,339	
Cemetery	325,695	330,497	-	-	4,802	-	4,802	
Garbage	1,134,262	1,204,739	-	-	70,477	-	70,477	
Interest on long term debt	126,371	-	-	-	(126,371)	-	(126,371)	
Total Governmental Activities	15,758,085	6,323,456	1,729,237	5,315,068	(2,390,324)	-	(2,390,324)	
Business-type Activities:								
Sewer	3,746,129	2,410,337	-	1,104,176	-	(231,616)	(231,616)	
Pressurized irrigation	1,489,135	2,612,253	-	3,131,484	-	4,254,602	4,254,602	
Storm sewer	966,044	911,802	-	569,561	-	515,319	515,319	
Water	1,507,763	1,763,130	-	1,585,964	-	1,841,331	1,841,331	
Total Business-type Activities	7,709,071	7,697,522	-	6,391,185	-	6,379,636	6,379,636	
Total Government	\$ 23,467,156	\$ 14,020,978	\$ 1,729,237	\$ 11,706,253	(2,390,324)	6,379,636	3,989,312	
General Revenues:								
Taxes:								
Property				2,644,599	-	2,644,599		
Vehicle				129,835	-	129,835		
Sales				4,292,235	-	4,292,235		
Franchise				1,339,474	-	1,339,474		
Unrestricted investment earnings				631,165	394,762	1,025,927		
Gain (Loss) on disposal of assets				153,928	15,000	168,928		
Miscellaneous				69,770	-	69,770		
Transfers				(6,608)	6,608	-		
Total General Revenues				9,254,398	416,370	9,670,768		
Changes in Net Position				6,864,074	6,796,006	13,660,080		
Net Position, Beginning				78,621,809	67,638,569	146,260,378		
Net Position, Ending				\$ 85,485,883	\$ 74,434,575	\$ 159,920,458		

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

HIGHLAND CITY, UTAH
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,850,344	\$ 595,091	\$ 7,895,037	\$ 101,642	\$ 3,043,680	\$ 16,485,794
Receivables:						
Accounts	11,852	4,655	-	-	2,351	18,858
Taxes	2,945,493	-	-	-	343,423	3,288,916
Due from other governments	274,994	-	-	204,654	-	479,648
Notes	98,318	-	-	-	-	98,318
Prepaid expenses	6,161	-	-	-	-	6,161
Restricted amounts:						
Cash and cash equivalents	1,141,664	-	-	506,245	504,250	2,152,159
Total Assets	\$ 9,328,826	\$ 599,746	\$ 7,895,037	\$ 812,541	\$ 3,893,704	\$ 22,529,854
Liabilities:						
Accounts payable	\$ 554,928	\$ 58,627	\$ 602,532	\$ 317,827	\$ 143,787	\$ 1,677,701
Accrued liabilities	66,299	1,523	-	-	22,905	90,727
Retainage payable	-	-	159,099	112,638	-	271,737
Developer bonds - payable from restricted	1,120,538	-	-	-	-	1,120,538
Unearned revenue	21,126	-	-	-	-	21,126
Payable from restricted assets	-	-	-	-	33,856	33,856
Total Liabilities	1,762,891	60,150	761,631	430,465	200,548	3,215,685
Deferred Inflows of Resources						
Unearned property tax revenue	2,018,183	-	-	-	304,190	2,322,373
Notes receivable	98,318	-	-	-	-	98,318
Total Deferred Inflows of Resources	2,116,501	-	-	-	304,190	2,420,691
Fund Balances:						
Nonspendable:						
Prepaid expenses	6,161	-	-	-	-	6,161
Restricted for:						
Impact fees	-	-	-	382,076	-	382,076
RAP/Zoo/Arts	-	-	-	-	186,839	186,839
Development fees	-	-	-	-	276,349	276,349
Assigned to:						
Cemetery	-	-	-	-	29,021	29,021
Library	-	-	-	-	111,971	111,971
Capital projects & open space funds	-	539,596	7,133,406	-	2,784,786	10,457,788
Unassigned	5,443,273	-	-	-	-	5,443,273
Total Fund Balances	5,449,434	539,596	7,133,406	382,076	3,388,966	16,893,478
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 9,328,826	\$ 599,746	\$ 7,895,037	\$ 812,541	\$ 3,893,704	\$ 22,529,854

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

HIGHLAND CITY, UTAH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

**Amounts reported for governmental activities in the Statement of Net Position
are different because:**

Total Fund Balances - Governmental Funds	\$ 16,893,478
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	73,177,813
Deferred loss on refunding of debt is not a financial resource, and therefore, is not reported in the funds.	140,061
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(29,285)
Net pension assets, net pension liabilities, Deferred outflows of resources and deferred inflows of resources related to pensions are not current financial resources, and therefore, are not reported in the governmental funds.	131,406
Long-term liabilities, including bonds, leases, and notes are not due and payable in the current period and therefore, are not reported in the funds.	(4,834,110)
Internal service funds are used by management to charge the cost of IT services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	6,520
Total Net Position - Governmental Activities	<u>\$ 85,485,883</u>

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2023

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 7,892,480	\$ -	\$ -	\$ -	\$ 513,663	\$ 8,406,143
Licenses and permits	1,104,599	-	-	-	5,385	1,109,984
Intergovernmental	3,222,412	-	-	-	-	3,222,412
Impact fees	-	-	638,272	61,024	83,483	782,779
Charges for services	2,886,819	1,133,066	-	-	664,532	4,684,417
Fines and forfeitures	186,857	-	-	-	15,990	202,847
Contributions from other governments	-	-	757,558	-	18,641	776,199
Interest	190,495	39,780	292,582	15,501	92,807	631,165
Miscellaneous	68,575	-	-	-	-	68,575
Total Revenues	15,552,237	1,172,846	1,688,412	76,525	1,394,501	19,884,521
Expenditures:						
Current:						
General government	1,533,205	-	-	-	1,249,425	2,782,630
Public safety	4,987,575	-	-	-	-	4,987,575
Streets and public works	1,117,031	943,833	-	1,400,206	-	3,461,070
Parks and recreation	959,379	-	5,241,181	-	-	6,200,560
Cemetery	-	-	-	-	296,068	296,068
Garbage	1,141,849	-	-	-	-	1,141,849
Debt service:						
Principal	-	-	-	-	863,000	863,000
Interest	-	-	2,100	-	87,069	89,169
Total Expenditures	9,739,039	943,833	5,243,281	1,400,206	2,517,412	19,843,771
Excess (deficiency) of revenues over (under) expenditures	5,813,198	229,013	(3,554,869)	(1,323,681)	(1,122,911)	40,750
Other Financing Sources (Uses):						
Sale of capital assets	-	-	-	-	153,928	153,928
Transfers in	360,044	-	3,455,387	416,383	1,498,943	5,730,757
Transfers out	(4,765,584)	-	(517,273)	-	(454,508)	(5,737,365)
Total Other Financing Sources (Uses)	(4,405,540)	-	2,938,114	416,383	1,198,363	147,320
Net Change in Fund Balances	1,407,658	229,013	(616,755)	(907,298)	75,452	188,070
Fund Balances, Beginning	4,041,776	310,583	7,750,161	1,289,374	3,313,514	16,705,408
Fund Balances, Ending	\$ 5,449,434	\$ 539,596	\$ 7,133,406	\$ 382,076	\$ 3,388,966	\$ 16,893,478

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

HIGHLAND CITY, UTAH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

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

Net Change in Fund Balances - Total Governmental Funds	\$ 188,070
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of more than \$5,000 are capitalized and the cost 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	5,982,358
Depreciation expense	(2,468,069)
Contributed assets are not recorded in governmental funds due to no current resources being expended in the acquisition of such assets. The Statement of Activities will record these contributed assets at their estimated fair value on the date of contribution.	2,262,915
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of bond principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position.	
Payment of bond principal	863,000
Pension expense resulting from the changes in net pension assets, net pension liabilities, deferred outflows relating to pensions, and deferred inflows relating to pensions are not the use of current financial resources, and therefore, are not reported in the governmental funds.	140,863
Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. This adjustment reflects the changes due to accrued interest on bonds payable, amortization of the deferred loss on bond refunding, and change in compensated absences.	
Accrued interest	1,616
Amortization of deferred loss	(40,918)
Compensated absences	(73,986)
Internal service funds are used by management to charge the cost of IT services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	8,225
Changes in net position of governmental activities	<u>\$ 6,864,074</u>

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

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Sewer	Pressurized Irrigation	Culinary Water	Storm Sewer	Total	IT Internal Service	
Assets:							
Current Assets:							
Cash and cash equivalents	\$ 2,713,856	\$ 5,250,347	\$ 2,310,672	\$ 1,918,999	\$ 12,193,874	\$ 12,656	
Restricted cash and cash equivalents	-	52,427	205,562	-	257,989	-	
Accounts receivable	13,388	15,425	15,969	5,039	49,821	-	
Intergovernmental receivable	-	542,896	-	-	542,896	-	
Total Current Assets	2,727,244	5,861,095	2,532,203	1,924,038	13,044,580	12,656	
Noncurrent Assets:							
Note receivables	-	235,565	-	-	235,565	-	
Capital assets:							
Nondepreciable							
Water shares	-	22,580,257	1,637,849	-	24,218,106	-	
Land	26,540	277,450	107,132	123,333	534,455	-	
Construction in process	2,256,357	4,628,574	1,441,812	-	8,326,743	-	
Depreciable							
Buildings	-	663,667	493,622	-	1,157,289	-	
Infrastructure	14,327,106	16,756,740	14,641,965	7,086,595	52,812,406	-	
Machinery and equipment	543,629	429,959	1,734,116	386,662	3,094,366	-	
Less accumulated depreciation	(6,878,312)	(8,689,308)	(7,485,041)	(2,415,987)	(25,468,648)	-	
Total Noncurrent Assets	10,275,320	36,882,904	12,571,455	5,180,603	64,910,282	-	
Total Assets	13,002,564	42,743,999	15,103,658	7,104,641	77,954,862	12,656	
Deferred Outflows of Resources							
Deferred outflows relating to pensions	59,612	40,490	58,365	45,813	204,280	-	
Liabilities:							
Current Liabilities:							
Accounts payable	\$ 428,397	\$ 449,223	\$ 241,541	\$ 56,819	\$ 1,175,980	\$ 4,543	
Accrued liabilities	2,399	4,322	3,717	2,638	13,076	-	
Accrued interest payable	-	16,200	-	-	16,200	-	
Unearned revenue	-	-	860,787	-	860,787	-	
Compensated absences	10,782	12,938	15,787	12,676	52,183	-	
Notes payable	-	103,921	-	-	103,921	-	
Total Current Liabilities	441,578	586,604	1,121,832	72,133	2,222,147	4,543	
Noncurrent Liabilities:							
Compensated absences	9,474	16,219	10,497	13,392	49,582	-	
Notes payable	-	1,342,725	-	-	1,342,725	-	
Net pension liability	26,458	29,189	32,432	21,166	109,245	-	
Total Noncurrent Liabilities	35,932	1,388,133	42,929	34,558	1,501,552	-	
Total Liabilities	477,510	1,974,737	1,164,761	106,691	3,723,699	4,543	
Deferred Inflows of Resources							
Deferred inflows relating to pensions	628	655	715	463	2,461	-	
Net Position:							
Net investment in capital assets	10,275,320	35,200,693	12,571,455	5,180,603	63,228,071	-	
Restricted:							
Impact fees	-	18,947	205,562	-	224,509	-	
Debt service	-	33,480	-	-	33,480	-	
Unrestricted	2,308,718	5,555,977	1,219,530	1,862,697	10,946,922	8,113	
Total Net Position	\$ 12,584,038	\$ 40,809,097	\$ 13,996,547	\$ 7,043,300	74,432,982	\$ 8,113	
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time					1,593		
Net position of business-type activities					\$ 74,434,575		

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

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Pressurized Irrigation	Culinary Water	Storm Sewer	Total	IT Internal Service
Operating Revenues:						
Charges for services	\$ 2,410,337	\$ 2,612,253	\$ 1,667,874	\$ 911,802	\$ 7,602,266	\$ 48,750
Connection fees	-	-	68,515	-	68,515	-
Miscellaneous	-	-	26,741	15,000	41,741	1,195
Total Operating Revenues	2,410,337	2,612,253	1,763,130	926,802	7,712,522	49,945
Operating Expenses:						
Salaries and benefits	288,411	305,456	437,432	255,519	1,286,818	-
Operations	2,969,052	649,994	553,507	454,664	4,627,217	40,366
Depreciation	488,998	511,620	517,232	256,069	1,773,919	-
Total Operating Expenses	3,746,461	1,467,070	1,508,171	966,252	7,687,954	40,366
Operating Income (Loss)	(1,336,124)	1,145,183	254,959	(39,450)	24,568	9,579
Nonoperating Revenues (Expenses):						
Impact fees	298,007	474,679	47,636	-	820,322	-
Grant revenue	-	2,443,114	139,213	-	2,582,327	-
Interest income	111,803	163,907	58,242	60,810	394,762	-
Interest expense	-	(22,471)	-	-	(22,471)	-
Total Nonoperating Revenues (Expenses)	409,810	3,059,229	245,091	60,810	3,774,940	-
Income (Loss) Before Contributions and transfers						
(926,314)	4,204,412	500,050	21,360	3,799,508	9,579	
Capital Contributions	806,169	213,691	1,446,751	521,925	2,988,536	-
Transfers in	29,587	81,263	2,965	793	114,608	-
Transfers out	-	(108,000)	-	-	(108,000)	-
Changes in Net Position	(90,558)	4,391,366	1,949,766	544,078	6,794,652	9,579
Net Position, Beginning	12,674,596	36,417,731	12,046,781	6,499,222		(1,466)
Net Position, Ending	\$ 12,584,038	\$ 40,809,097	\$ 13,996,547	\$ 7,043,300		\$ 8,113
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.					1,354	
Changes in net position of business-type activities						\$ 6,796,006

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

HIGHLAND CITY, UTAH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities	
	Sewer	Pressurized Irrigation	Water	Storm Sewer	Total	IT Internal Service	
Cash Flows From Operating Activities:							
Cash received from customers	\$ 2,408,882	\$ 2,686,513	\$ 1,755,478	\$ 923,760	\$ 7,774,633	\$ -	
Cash receipts from interfund services provided	-	-	-	-	-	49,945	
Cash payments to suppliers for goods and services	(3,471,237)	(326,985)	(392,580)	(419,730)	(4,610,532)	(37,289)	
Cash payments to employees	(302,839)	(305,675)	(444,090)	(255,539)	(1,308,143)	-	
Net cash provided (used) by operating activities	(1,365,194)	2,053,853	918,808	248,491	1,855,958	12,656	
Cash Flows From Non-Capital Financing Activities:							
Transfers from other funds	29,587	81,263	2,965	793	114,608	-	
Transfers to other funds	-	(108,000)	-	-	(108,000)	-	
Net cash provided (used) by non-capital financing activities	29,587	(26,737)	2,965	793	6,608	-	
Cash Flows From Capital and Related Financing Activities:							
Principal payments on bonds and notes payable	-	(262,072)	-	-	(262,072)	-	
Capital grants	-	1,900,218	1,000,000	-	2,900,218	-	
Interest and fees paid on bonds and notes payable	-	(22,471)	-	-	(22,471)	-	
Receipt of impact fees	298,007	474,679	47,636	-	820,322	-	
Purchase of capital assets	(1,081,754)	(4,054,015)	(343,917)	(55,770)	(5,535,456)	-	
Net cash provided (used) by capital and related financing activities	(783,747)	(1,963,661)	703,719	(55,770)	(2,099,459)	-	
Cash Flows From Investing Activities:							
Interest on investments	111,803	163,907	58,242	60,810	394,762	-	
Net cash provided (used) by investing activities	111,803	163,907	58,242	60,810	394,762	-	
Net Increase (Decrease) In Cash	(2,007,551)	227,362	1,683,734	254,324	157,869	12,656	
Cash at Beginning of Year	4,721,407	5,075,412	832,500	1,664,675	12,293,994	-	
Cash at End of Year	\$ 2,713,856	\$ 5,302,774	\$ 2,516,234	\$ 1,918,999	\$ 12,451,863	\$ 12,656	
As reported on the Statement of Net Position:							
Cash and cash equivalents	\$ 2,713,856	\$ 5,250,347	\$ 2,310,672	\$ 1,918,999	\$ 12,193,874	\$ 12,656	
Restricted cash and cash equivalents	-	52,427	205,562	-	257,989	-	
Total Cash at End of Year	\$ 2,713,856	\$ 5,302,774	\$ 2,516,234	\$ 1,918,999	\$ 12,451,863	\$ 12,656	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (1,336,124)	\$ 1,145,183	\$ 254,959	\$ (39,450)	\$ 24,568	\$ 9,579	
Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities:							
Depreciation	488,998	511,620	517,232	256,069	1,773,919	-	
(Increase) decrease in assets:							
Accounts receivable	(1,455)	(4,409)	(7,652)	(3,042)	(16,558)	-	
Note receivable	-	78,669	-	-	78,669	-	
Net pension asset	75,148	82,905	92,117	60,118	310,288	-	
Deferred outflows relating to pensions	(15,729)	(10,684)	(15,400)	(12,088)	(53,901)	-	
Increase (decrease) in liabilities:							
Accounts payable	(502,185)	323,009	160,927	34,934	16,685	3,077	
Accrued liabilities	(1,261)	224	(2,321)	(651)	(4,009)	-	
Compensated absences	(1,725)	(196)	(2,528)	3,237	(1,212)	-	
Net pension liability	26,458	29,189	32,432	21,166	109,245	-	
Deferred inflows relating to pensions	(97,319)	(101,657)	(110,958)	(71,802)	(381,736)	-	
Net cash provided (used) by operating activities	\$ (1,365,194)	\$ 2,053,853	\$ 918,808	\$ 248,491	\$ 1,855,958	\$ 12,656	
Noncash investing, capital, and financing activities:							
Contributions of capital assets	\$ 806,169	\$ 213,691	\$ 1,446,751	\$ 521,925	\$ 2,988,536	\$ -	

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

HIGHLAND CITY, UTAH NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highland City, Utah (the City) was incorporated in 1977 and operates under a council-city manager form of government. The governing body consists of five elected council members and a mayor. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager. The City provides the following services: general administrative services, public safety, highway and public works, parks and recreations, cemetery, garbage, and utilities (sewer, pressurized irrigation, storm sewer, and culinary water).

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City is discussed below.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency and accountability. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The Highland City Open Space Special Service District (the District) was established to provide recreation services, including the operation and maintenance of parks, open space and trails within certain areas of the City. The District is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is legally separate entity from the City, the District is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the District. The District is included in these financial statements as a blended component unit and reported as the Open Space Fund. Separate financial statements are not issued for the District.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, public safety, highway and public works, parks and recreations, cemetery, and garbage are classified as governmental activities. The City's sewer, pressurized irrigation, storm sewer, and water services are classified as business-type activities.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund 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 Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

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 (within 60 days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, interest and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

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 accounted for in another fund. Principal sources of revenue are taxes, licenses and permits and intergovernmental revenues. Primary expenses are for general government, public safety, streets and public works, parks and recreation, cemetery and garbage.

The *Road Fee Special Revenue Fund* accounts for the revenues collected from the road fee and expenditures for projects qualifying for use of those funds.

The *Capital Projects – Parks Fund* accounts for the funds set aside for parks projects, including park impact fee revenues.

The *Capital Projects – Roads Fund* accounts for the funds set aside for road projects, including road impact fee revenues.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the City's sewer treatment operations.

The *Pressurized Irrigation Fund* accounts for the activities of the City's pressurized irrigation distribution system.

The *Water Fund* accounts for the activities of the City's water treatment and distribution.

The *Storm Sewer Fund* accounts for the activities of the City's storm sewer infrastructure and related costs.

Activities of these four funds include administration, operations and maintenance of the sewer, pressurized irrigation, water, and storm sewer systems, and billing and collections. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City reports a single internal service fund.

The *Information Technology (IT) Internal Service Fund* accounts for the City's information technology costs used by the City's various departments and funds.

The effect of interfund activity has generally been eliminated from the government-wide financial statements in accordance with GAAP.

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Budgetary Data

Annual budgets are prepared and adopted, in accordance with State law, by the 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 several different funds, including the General Fund, Special Revenue Fund, Capital Project Funds, Debt Service Fund, and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 35% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the total budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. The City Administrator has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source.

(D) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Utah County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes and telephone franchise taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Cash, Cash Equivalents, and Investments

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents balances.

Investments consist of accounts at the Utah Public Treasurer's Investment Fund (the State Treasurer's Pool). Investments of the City are stated at cost, which approximates fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

(F) Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the government-wide and proprietary fund financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(G) Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) 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 more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The government reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	20 to 50
Improvements and infrastructure	10 to 50
Machinery, equipment and vehicles	5 to 15

(H) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

Receivables at June 30, 2023, consisted of property tax, franchise tax, sales tax, grants and utility customer accounts (billings for user charged services). Taxes and grants are deemed collectible in full. Utility charges have an allowance of \$24,988.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(J) Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Employees may accumulate up to 175% of their annual accrual. An employee who is separated from employment may be compensated for all accrued vacation. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 65 days of sick leave. Employees will not be paid for any accumulated sick leave at separation from employment.

(K) Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently reports deferred outflows of resources relating to pensions, and deferred loss on refunding. The deferred outflows relating to pensions are required to be reported as part of implementing GASB 68 *Accounting and Financial reporting for Pensions*, and GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The City reports a deferred loss on refunding as part of the advanced refunding of the 2015 Sales and Franchise Tax Revenue bonds.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which are reported under this section: deferred property tax revenues, and deferred inflows of resources relating to pensions. Deferred property tax revenue arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts account for property taxes levied on January 1, 2022 for the 2022-2023 fiscal year. The deferred inflows relating to pensions are required to be reported as part of implementing of GASB 68, and GASB 71, as previously mentioned. The City also reports a deferred inflows of resources related to lease receivables, which are required as part of the City's reporting in accordance with GASB 87, *Leases*.

(L) 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.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Lease Receivable and Related Deferred Inflows of Resources

A lease receivable and related deferred inflow of resources balances are reported for agreements meeting the requirements of GASB 87, *Leases*. The lease receivable will be relieved as payments are collected and the related deferred inflow will be reduced in a similar manner over the lease term. The City currently reports lease receivable and a related deferred inflow of resources related to telecommunications tower lease arrangement.

(N) Fund Balance and Net Position Classification

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

- (1) *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.
- (2) *Restricted net position* – consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “Net investment in capital assets”.

In accordance with GASB No. 54, the City classifies fund balances in the governmental funds as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned.

- (1) *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.
- (2) *Restricted fund balance* classifications are reported as restricted if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification include those funds that can only be used for specific purposes pursuant to constraints imposed by formal action (Ordinances and Resolutions) of the City council, which is government’s highest level of decision making authority.
- (4) *Assigned fund balance* classification includes amounts that are constrained by the government’s intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the Finance Director, City Council, or City Administrator. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The assigned designation may be reversed by the Finance Director, City Council, or City Administrator.
- (5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(N) Fund Balance and Net Position Classification (Continued)

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

When restricted, committed, assigned, or unassigned resources are available for use, it is the City's policy to use restricted resources first, followed by committed resources, then assigned resources, and then unassigned resources as they are needed.

(O) Estimates and Assumptions

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Excess of Expenditures Over Appropriations

For the year ended June 30, 2023, none of the City's funds expenditures exceeded appropriated amounts.

(B) Deficit Fund Equity

As of June 30, 2023, none of the City's funds had a deficit fund balance or fund net position.

NOTE 3 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds.

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's deposit and investment policy is to follow the Utah Money Management Act (the 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 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.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 CASH AND INVESTMENTS (Continued)

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 the 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 Treasurer's 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 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.

Fair Value of Investments

The City measures its investments using fair value measurement guidelines, established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The City's PTIF investment, whose fair value at June 30, 2023 was \$30,808,608 was measured as a *Level 2*. The City maintained no other investments during the year.

The City's cash and investments are summarized below:

	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average Years to Maturity (2)
Cash on deposit	\$ 803,774	\$ 296,179	N/A	N/A
Investment (3):				
Utah State Treasurer's Investment Pool	<u>30,808,608</u>	<u>30,806,293</u>	N/A	64.2
Total cash and cash equivalents	<u>\$ 31,612,382</u>	<u>\$ 31,102,472</u>		
Portfolio weighted average maturity				N/A

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest Rate Risk** is estimated using the weighted average days to maturity.

(3) All investments are considered cash equivalents on the financial statements.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 CASH AND INVESTMENTS (Continued)

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2023, \$553,774 of the City's deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

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, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasurer's Office.

Custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial 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 limiting the credit risks of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poors; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act. The PTIF was unrated as of June 30, 2023.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure by investing mainly in the Utah Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The PTIF's investment maturity is less than 1 year, which is among the required period of availability of the Utah Money Management Act.

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 investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 INTERFUND TRANSFERS

The purpose of the transfers were to provide cash flows and pay operating expenses. Transfers were made among the governmental funds to pay for debt service, and set aside funds for future capital projects. The transfer from the pressurized irrigation fund is to record utilities used by the general fund for watering of parks where funds were not exchanged. The transfers among the funds for the year ended June 30, 2023 were as follows:

	In	Out
Governmental activities		
General fund	\$ 360,044	\$ 4,765,584
Debt service fund	-	-
Capital Projects - Parks	3,455,387	517,273
Capital Projects - Roads	416,383	-
Nonmajor governmental funds	1,498,943	454,508
Total governmental activities	5,730,757	5,737,365
Business activities		
Sewer	29,587	-
Pressurized irrigation	81,263	108,000
Storm Sewer	793	-
Water	2,965	-
Total business activities	114,608	108,000
Total Transfers	\$ 5,845,365	\$ 5,845,365

Transfers made during the year are primarily for re-allocation of resources for capital projects, including the use of restricted grant funds for allowable purposes.

NOTE 5 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2023:

	Restricted Cash and Cash Equivalents	Total Restricted Assets
Governmental activities		
Construction bonds	\$ 1,120,538	1,120,538
Unearned revenues	21,126	21,126
Development fees	283,555	283,555
Exaction fee	33,856	33,856
Impact fees	506,245	506,245
RAP/Zoo/Arts	186,839	186,839
Total governmental activities	2,152,159	2,152,159
Business-type activities		
Restricted for impact fees	205,562	205,562
Debt service	52,427	52,427
Total business-type activities	257,989	257,989
Total restricted assets	\$ 2,410,148	\$ 2,410,148

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2023, is as follows:

	Balance June 30, 2021	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land and right of way	\$ 37,499,684	\$ 96,301	\$ -	\$ 37,595,985
Construction in progress	2,525,400	4,838,534	(1,504,123)	5,859,811
Total capital assets, not being depreciated	40,025,084	4,934,835	(1,504,123)	43,455,796
Capital assets, being depreciated:				
Buildings and structures	14,998,508	-	-	14,998,508
Improvements and infrastructure	80,750,825	3,952,778	-	84,703,603
Machinery, equipment and vehicles	2,691,380	861,783	-	3,553,163
Total capital assets, being depreciated	98,440,713	4,814,561	-	103,255,274
Less accumulated depreciation for:				
Buildings and structures	(5,391,443)	(401,131)	-	(5,792,574)
Improvements and infrastructure	(63,681,256)	(1,843,059)	-	(65,524,315)
Machinery, equipment and vehicles	(1,992,489)	(223,879)	-	(2,216,368)
Total accumulated depreciation	(71,065,188)	(2,468,069)	-	(73,533,257)
Total capital assets, net of accumulated depreciation	27,375,525	2,346,492	-	29,722,017
Governmental activities capital assets, net	\$ 67,400,609	\$ 7,281,327	\$ (1,504,123)	\$ 73,177,813

Governmental activities depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 220,794
Public Safety	183,091
Streets and Public Works	1,714,623
Parks and recreation	304,307
Cemetery	45,254
Total depreciation expense - governmental activities	\$ 2,468,069

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 CAPITAL ASSETS (Continued)

The Business-type activities property, plant and equipment consist of the following at June 30, 2023:

	Balance June 30, 2022	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2023
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 534,455	\$ -	\$ -	\$ 534,455
Construction in progress	3,431,786	4,894,957	-	8,326,743
Water Shares	24,218,106	-	-	24,218,106
Total capital assets, not being depreciated	28,184,347	4,894,957	-	33,079,304
Capital assets, being depreciated:				
Buildings and structures	1,157,289	-	-	1,157,289
Improvements and infrastructure	49,501,246	3,311,161	-	52,812,407
Machinery, equipment and vehicles	2,776,492	317,874	-	3,094,366
Total capital assets, being depreciated	53,435,027	3,629,035	-	57,064,062
Less accumulated depreciation for:				
Buildings and structures	(761,225)	(40,120)	-	(801,345)
Improvements and infrastructure	(21,076,786)	(1,569,121)	-	(22,645,907)
Machinery, equipment and vehicles	(1,856,719)	(164,678)	-	(2,021,397)
Total accumulated depreciation	(23,694,730)	(1,773,919)	-	(25,468,649)
Total capital assets, net of accumulated depreciation	29,740,297	1,855,116	-	31,595,413
Business-type activities capital assets, net	\$ 57,924,644	\$ 6,750,073	\$ -	\$ 64,674,717

Business-type depreciation expense was charged to functions/programs as follows:

Business-type activities

Sewer	\$ 488,998
Pressurized Irrigation	511,620
Storm Drain	256,069
Water	517,232
Total depreciation expense - business-type activities	\$ 1,773,919

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 NOTES RECEIVABLE

The City has multiple notes receivable for property owners to pay back the City for irrigation water shares purchased on their behalf. The City bills these property owners monthly and the notes mature as final payments are made. There are no pre-payment penalties, and the notes carry no interest. At June 30, 2023 the balance of these notes receivable were \$235,565. The final notes are scheduled to mature in July 2043.

NOTE 8 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

NOTE 9 DEVELOPER AND CUSTOMER DEPOSITS

Developer and customer deposits are principally deposits from customers that are held by the City for water connections or for construction, or other projects until such time for refund is warranted.

NOTE 10 UNEARNED PROPERTY TAXES

In conjunction with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" the City has accrued property tax receivable and unearned property tax revenue in the General Fund and Library Fund in the amounts of \$2,018,183, and \$304,190, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Property taxes are levied on October 1, and then are due and payable at November 30. Since the property tax amounts are not expected to be received within 60 days after the year ended June 30, 2023 and are intended to fund operations of fiscal year ending June 30, 2024, the City has recorded both a receivable and deferred inflow of resources of the estimated amount of the total property tax to be levied on October 1, 2023.

NOTE 11 JOINT VENTURE

The City and Alpine City (the Members) entered into an interlocal agreement to create Lone Peak Public Safety District (Lone Peak). Lone Peak was created to provide fire, emergency medical services, and police services. Lone peak is funded by direct payments from the Member cities which is allocated on a population basis. Lone Peak is governed by a Board of Public Safety Commissioners composed of two elected or appointed officials from each of the Member cities.

Audited financial statements for Lone Peak are prepared annually and can be obtained from Lone Peak's finance director, Lone Peak Public Safety District, 5400 W Civic Center Blvd. Suite #1.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 JOINT VENTURE (Continued)

A summary of transactions between the City and Lone Peak is shown below:

	2023
Payments to Lone Peak:	
Administrative expenses	\$ 193,290
Member payments for	
Police	2,735,870
Fire / EMS	<u>2,058,415</u>
Total payments to Lone Peak	<u>\$ 4,987,575</u>
Receipts from Lone Peak:	
Rent of office space	\$ 221,074
Reimbursement of employee wages	
and office supplies used by Lone Peak	<u>43,338</u>
Total receipts from Lone Peak	<u>\$ 264,412</u>

NOTE 12 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2023:

Governmental Activities:	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
<i>Direct Placement</i>					
Revenue Bonds, Series 2016	\$ 3,348,000	\$ -	\$ (452,000)	\$ 2,896,000	\$ 475,000
Revenue Bonds, Series 2020	2,089,000	-	(411,000)	1,678,000	404,000
Total bonds payable	<u>5,437,000</u>	<u>-</u>	<u>(863,000)</u>	<u>4,574,000</u>	<u>879,000</u>
<i>Other long-term liabilities</i>					
Compensated absences	186,124	185,908	(111,922)	260,110	131,256
Net pension liability	-	155,333	-	155,333	-
Total other long-term liabilities	<u>186,124</u>	<u>341,241</u>	<u>(111,922)</u>	<u>415,443</u>	<u>131,256</u>
Governmental activities long-term liabilities	<u>\$ 5,623,124</u>	<u>\$ 341,241</u>	<u>\$ (974,922)</u>	<u>\$ 4,989,443</u>	<u>\$ 1,010,256</u>

Governmental Activities:

Revenue Bonds

Series 2016 Sales and Franchise Tax Revenue Refunding Bonds, original issue of \$4,970,000, principal due in annual installments beginning September 2018, interest at 2.095% due in semi-annual installments beginning March 2016, with the final payment due September 2027. The bonds were issued to partially refund the Series 2007 Sales and Franchise Tax Revenue Bonds.

\$ 2,896,000

Series 2020 Sales and Franchise Tax Revenue Refunding Bonds, original issue of \$2,886,000, principal due in annual installments beginning September 2020, interest at 1.08% due in semi-annual installments beginning September 2020, with the final payment due September 2026. The bonds were issued to refund the Series 2015 Sales and Franchise Tax Revenue Bonds.

1,678,000

Total Tax Revenue Bonds - Governmental Activities

\$ 4,574,000

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 LONG-TERM DEBT (Continued)

The advance refunding of the 2015 Sales and Franchise Revenue bonds was done to reduce debt service payments. The refunding resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$155,164. The deferred loss on refunding of \$107,035 is being amortized over the remaining life of the 2020 Sales and Franchise Tax Revenue bonds. At June 30, 2023 \$1,698,000 of the 2015 Sales and Franchise Revenue defeased bonds were outstanding.

All of the City's Sales and Franchise Tax Revenue Bonds (both Governmental and Business-type) are payable solely by a pledge and assignment of their associated revenue sources. Total future sales tax of \$4,574,000 has been pledged through 2028. The current revenue recognized during the period for pledged Franchise and Sales Tax Revenue bonds was \$5,213,538 compared to principal and interest of \$948,748 paid during the year which equals a coverage ratio of 5.50.

The Series 2020 and 2016 Franchise Tax Revenue Refunding bonds contain provisions that in the event of default, the bondholders may force payment of the outstanding bonds whether through legal action or through the appointment of a receiver.

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2023, are as follows:

Year Ending June 30,	Governmental Activities		
	Sales and Franchise Tax		
	Revenue Bonds	Principal	Interest
2024	\$ 879,000	\$ 73,818	
2025	894,000	59,535	
2026	912,000	45,016	
2027	924,000	30,032	
2028	<u>965,000</u>	<u>10,108</u>	
	<u><u>\$ 4,574,000</u></u>	<u><u>\$ 218,509</u></u>	

	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
	Business-type Activities:			2023	2023
Direct Placement					
Notes payable	\$ 1,708,718	\$ -	\$ (262,072)	\$ 1,446,646	\$ 103,921
Total bonds and notes payable	<u>1,708,718</u>	<u>-</u>	<u>(262,072)</u>	<u>1,446,646</u>	<u>103,921</u>
Other long-term liabilities					
Compensated absences	102,977	58,901	(60,113)	101,765	52,183
Net pension liability	-	109,245	-	109,245	-
Total other long-term liabilities	<u>102,977</u>	<u>168,146</u>	<u>(60,113)</u>	<u>211,010</u>	<u>52,183</u>
Business-type activities long-term liabilities					
	<u><u>\$ 1,811,695</u></u>	<u><u>\$ 168,146</u></u>	<u><u>\$ (322,185)</u></u>	<u><u>\$ 1,657,656</u></u>	<u><u>\$ 156,104</u></u>

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 LONG-TERM DEBT (Continued)

Notes Payable - Direct Borrowings

Note payable to the Provo River Users Association for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount \$615,833, interest at 4.00%, approximately 22% of original principal is due in two equal installments in July 2010 and March 2011 along with accrued interest. Remaining principal and interest to be paid in annual installments beginning March 2012 with final payment due March 2035.

\$ 307,001

Assessment payable to the Highland Conservation District for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount \$1,563,945, principal and interest at 2.65% due in installments beginning November 2010 with final installment due November 2035.

1,139,645

Total Notes Payable - Business-type Activities

\$ 1,446,646

No remedies for events of default were noted in the agreements for the above notes payables.

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2023, are as follows:

Year Ending June 30,	Business-type Activities		
	Notes Payable - Direct Borrowing		Interest
	Principal		
2024	\$ 103,921	\$ 23,011	
2025	105,434	21,354	
2026	106,970	19,671	
2027	108,530	17,962	
2028	110,115	16,228	
2029-2033	575,223	54,168	
2034-2036	<u>336,453</u>	<u>9,916</u>	
	<u>\$ 1,446,646</u>	<u>\$ 162,309</u>	

During fiscal year 2015, the City defeased \$3,970,000 of the 2006 Sales and Franchise Tax revenue bonds by placing new bond proceeds in an irrevocable trust to provide for the future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2023, \$1,660,000 of defeased bonds are still outstanding.

During fiscal year 2016, the City defeased \$4,600,000 of the 2007 Sales and Franchise Tax revenue bonds by placing new bond proceeds in an irrevocable trust to provide for the future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2023, \$2,735,000 of defeased bonds are still outstanding.

No interest was capitalized during the fiscal year ended June 30, 2023. Total interest incurred and charged to expense totaled \$148,842.

Compensated absence balances are liquidated out of the funds from where the employees are allocated.

The City evaluated all potential lease payable transactions and determined that no such agreements were required to be reported under GASB 87, *Leases*.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 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 to employees; and natural disasters for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters. There have been no significant reductions in insurance coverage, and no settlements or incidents have exceeded the City's insurance coverage in any of the past three fiscal years.

NOTE 14 PENSION AND RETIREMENT PLANS

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The 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 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Summary of Benefits by System

Benefits Provided

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

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

* Actuarial reductions are applied.

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023 are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Div - Tier 2	-	16.01%	0.18%
Noncontributory System			
15 - Local Governmental Div - Tier 1	-	17.97%	-
Tier 2 DC Only			
211 - Local Government	-	6.19%	10.00%

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

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 202,726	-
Tier 2 Public Employees System	103,118	-
Tier 2 DC Only System	27,934	-
Total Contributions	\$ 333,778	\$ -

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.

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

At June 30, 2023, we reported a net pension asset of \$0 and a net pension liability of \$264,578.

	(Measurement Date): December 31, 2021				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 2021	Change (Decrease)
	\$ -	\$ 231,939	0.1354191%	0.1285900%	0.0068291%
Noncontributory System	\$ -	\$ 32,639	0.0299748%	0.0355161%	-0.0055413%
Total Net Pension Asset / Liability	\$ -	\$ 264,578			

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

For the year ended June 30, 2023, we recognized pension expense of \$176,156.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,694	\$ 1,295
Changes in assumptions	48,608	1,009
Net difference between projected and actual earnings on pension plan investments	166,148	-
Changes in proportion and differences between contributions and proportionate share of contributions	28,125	4,417
Contributions subsequent to the measurement date	<u>162,704</u>	-
Total	<u><u>\$ 495,279</u></u>	<u><u>\$ 6,721</u></u>

\$162,704 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2023	\$ (19,092)
2024	14,230
2025	67,942
2026	247,060
2027	3,092
Thereafter	12,621

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, we recognized pension expense of \$113,361.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,670	\$ -
Changes in assumptions	38,012	926
Net difference between projected and actual earnings on pension plan investments	152,989	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,767	2,243
Contributions subsequent to the measurement date	<u>96,142</u>	-
Total	<u>\$ 384,580</u>	<u>\$ 3,169</u>

\$96,142 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (inflows) of Resources</u>
2023	\$ (21,187)
2024	10,061
2025	61,450
2026	234,945
2027	-
Thereafter	-

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, we recognized pension expense of \$62,795.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,024	\$ 1,295
Changes in assumptions	10,596	83
Net difference between projected and actual earnings on pension plan investments	13,159	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,358	2,174
Contributions subsequent to the measurement date	<u>66,561</u>	-
Total	<u>\$ 110,698</u>	<u>\$ 3,552</u>

\$66,561 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2023	\$ 2,095
2024	4,169
2025	6,492
2026	12,115
2027	3,092
Thereafter	12,621

Actuarial Assumptions

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

Inflation	2.50 Percent
Salary Increases	3.25 – 9.25 percent, average, including inflation
Investment Rate of Return	6.85 percent, net of pension plan investment expense, including inflation

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class 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		
	Target Allocation	Real Return	Long-Term
		Arithmetic Basis	expected portfolio real rate of return
Equity securities	35.00%	6.58%	2.30%
Debt securities	20.00%	1.08%	0.22%
Real assets	18.00%	5.72%	1.03%
Private equity	12.00%	9.80%	1.18%
Absolute return	15.00%	2.91%	0.44%
Cash and cash equivalents	0.00%	-0.11%	0.00%
Totals	100.00%		5.17%
	<u>Inflation</u>		2.50%
	<u>Expected arithmetic nominal return</u>		7.67%

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

Discount Rate

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

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

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

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 1,461,757	\$ 231,939	\$ (795,639)
Tier 2 Public Employees System	142,616	32,639	(52,084)
Total	\$ 1,604,373	\$ 264,578	\$ (847,723)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position of the pension plans 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 sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

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

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

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

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 279,116	\$ 225,169	\$ 219,532
Employee Contributions	101,222	75,388	50,347
457 Plan			
Employer Contributions	-	16	-
Employee Contributions	28,970	28,850	31,633
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	37,425	31,384	27,063

NOTE 15 COMMITMENTS AND AGREEMENTS

The City has commitments to reimburse developers related to the Town Center project in the aggregate amount of \$33,856, which will be ultimately resolved after exaction fees are received by the Towne Center fund.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 16 IMPLEMENTATION OF NEW STANDARD

Implementation of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*

During the year, the City adopted the provisions of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by governments. The Statement requires recognition of certain right-to-use subscription assets and a corresponding subscription liability for qualifying arrangements.

The City evaluated its various potential SBITAs and determined that no significant arrangements qualified to be reported under GASB Statement No. 96, and therefore, no adjustment to the financial statements was necessary.

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Road Fee Special Revenue Fund

Schedule of the Proportionate Share of the Net Pension Liability – Utah Retirement Systems

Schedule of Contributions – Utah Retirement Systems

HIGHLAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2023

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 7,127,600	\$ 7,127,600	\$ 7,892,480	\$ 764,880
Licenses and permits	919,200	958,200	1,104,599	146,399
Intergovernmental	1,934,657	1,934,657	3,222,412	1,287,755
Charges for services	2,497,289	2,510,289	2,886,819	376,530
Fines and forfeitures	146,500	146,500	186,857	40,357
Interest	12,000	12,000	190,495	178,495
Miscellaneous	30,000	36,500	68,575	32,075
Total Revenues	12,667,246	12,725,746	15,552,237	2,826,491
Expenditures:				
Current:				
General government	1,560,857	1,737,983	1,533,205	204,778
Public safety	4,939,654	4,939,654	4,987,575	(47,921)
Streets and public works	1,071,485	1,193,374	1,117,031	76,343
Parks and recreation	950,452	1,006,244	959,379	46,865
Garbage	1,179,441	1,195,340	1,141,849	53,491
Total Expenditures	9,701,889	10,072,595	9,739,039	333,556
Excess (deficiency) of revenues over (under) expenditures	2,965,357	2,653,151	5,813,198	3,160,047
Other Financing Sources (Uses):				
Sale of capital assets	-	2,045,235	-	(2,045,235)
Transfers in	360,044	360,044	360,044	-
Transfers out	(2,541,876)	(4,939,906)	(4,765,584)	174,322
Total Other Financing Sources (Uses)	(2,181,832)	(2,534,627)	(4,405,540)	(1,870,913)
Net Change in Fund Balances	\$ 783,525	\$ 118,524	1,407,658	\$ 1,289,134
Fund Balance, Beginning			4,041,776	
Fund Balance, Ending			\$ 5,449,434	

HIGHLAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – ROAD FEE SPECIAL REVENUE
For The Year Ended June 30, 2023

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Charges for services	\$ 1,089,000	\$ 1,089,000	\$ 1,133,066	\$ 44,066
Interest	<u>4,000</u>	<u>4,000</u>	<u>39,780</u>	<u>35,780</u>
Total Revenues	1,093,000	1,093,000	1,172,846	79,846
Expenditures:				
Current:				
Streets and public works	1,091,179	1,091,179	943,833	147,346
Total Expenditures	1,091,179	1,091,179	943,833	147,346
Excess (deficiency) of revenues over (under) expenditures	1,821	1,821	229,013	227,192
Net Change in Fund Balances	\$ 1,821	\$ 1,821	229,013	\$ 227,192
Fund Balance, Beginning			<u>310,583</u>	
Fund Balance, Ending			<u>\$ 539,596</u>	

HIGHLAND CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
June 30, 2023
Measurement Date of December 31, 2022
Last 10 Fiscal Years*

	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
<u>For the year ended December 31,</u>					
Noncontributory Retirement System					
2022	0.1354191%	\$ 231,939	\$ 1,116,202	20.78%	97.5%
2021	0.1285900%	(736,448)	1,049,338	-70.18%	108.7%
2020	0.1177363%	60,392	998,353	6.05%	99.2%
2019	0.1237794%	466,508	1,000,176	46.64%	93.7%
2018	0.1255408%	924,448	1,030,491	89.71%	87.0%
2017	0.1355806%	594,019	1,146,754	51.80%	91.9%
2016	0.1344475%	863,317	1,159,548	74.45%	87.3%
2015	0.1325309%	749,924	1,074,504	69.79%	87.8%
2014	0.1363938%	592,254	1,102,809	53.70%	90.2%
Tier 2 Public Employees Retirement System					
2022	0.0299748%	\$ 32,639	\$ 654,873	4.98%	92.3%
2021	0.0355161%	(15,032)	660,017	-2.28%	103.8%
2020	0.0260823%	3,751	416,520	0.90%	98.3%
2019	0.0245204%	5,515	341,008	1.62%	96.5%
2018	0.0214487%	9,186	249,592	3.68%	90.8%
2017	0.0131953%	1,163	129,115	0.90%	97.4%
2016	0.0055885%	623	45,830	1.36%	95.1%
2015	0.0257634%	(56)	166,425	-0.03%	100.2%
2014	0.0529626%	(1,605)	259,759	-0.62%	103.5%

* This schedule will be built out prospectively to show a 10-year history.

HIGHLAND CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
Last 10 Fiscal Years*

As of fiscal year ended June 30,	Contributions in relation to the contractually required contribution			Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
	Actuarial Determined Contributions					
Noncontributory System						
2023	\$ 202,726	\$ 202,726	\$ -	\$ 1,128,172		17.97%
2022	194,955	194,955	-	1,069,149		18.23%
2021	173,272	173,272	-	986,629		17.56%
2020	179,819	179,819	-	999,719		17.99%
2019	182,483	182,483	-	988,035		18.47%
2018	214,531	214,531	-	1,161,508		18.47%
2017	208,321	208,321	-	1,127,891		18.47%
2016	203,435	203,435	-	1,101,435		18.47%
2015	196,026	196,026	-	1,061,320		18.47%
2014	201,281	201,281	-	1,164,149		17.29%
Tier 2 Public Employees System*						
2023	\$ 103,118	\$ 103,118	\$ -	\$ 644,088		16.01%
2022	106,054	106,054	-	659,950		16.07%
2021	92,402	92,402	-	584,821		15.80%
2020	51,938	51,938	-	331,660		15.66%
2019	51,028	51,028	-	328,367		15.54%
2018	25,881	25,881	-	171,285		15.11%
2017	12,716	12,716	-	85,288		14.91%
2016	15,233	15,233	-	102,166		14.91%
2015	32,860	32,860	-	219,947		14.94%
2014	29,672	29,672	-	212,094		13.99%
Tier 2 Public Employees DC Only System*						
2023	\$ 27,934	\$ 27,934	\$ -	\$ 451,267		6.19%
2022	18,000	18,000	-	269,056		6.69%
2021	8,858	8,858	-	132,408		6.69%
2020	17,442	17,442	-	260,718		6.69%
2019	14,438	14,438	-	215,812		6.69%
2018	12,667	12,667	-	189,347		6.69%
2017	12,219	12,219	-	182,652		6.69%
2016	10,842	10,842	-	162,056		6.69%
2015	4,872	4,872	-	72,506		6.72%
2014	561	561	-	10,060		5.58%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

HIGHLAND CITY
NOTES TO REQUIRED SUPPLMENTAL INFORMATION
For the fiscal Year Ended June 30, 2023

Changes in Assumptions:

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

SUPPLEMENTARY INFORMATION

HIGHLAND CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue						Capital Projects			Total Nonmajor Governmental Funds	
	Debt Service	Open Space	Cemetery		Building Department	Building Capital Project	Northwest Annexation	Town Center Capital Projects			
			Perpetual Care	Library							
Assets:											
Cash and cash equivalents	\$ 841,447	\$ 582,958	\$ 46,361	\$ 110,019	\$ -	\$ -	\$ 1,184,038	\$ 474	\$ 278,383	\$ 3,043,680	
Restricted cash and cash equivalents	-	-	-	-	186,839	283,555	-	-	33,856	504,250	
Receivables:											
Accounts	-	2,351	-	-	-	-	-	-	-	2,351	
Property taxes	-	-	-	310,825	32,598	-	-	-	-	343,423	
Total Assets	\$ 841,447	\$ 585,309	\$ 46,361	\$ 420,844	\$ 219,437	\$ 283,555	\$ 1,184,038	\$ 474	\$ 312,239	\$ 3,893,704	
Liabilities:											
Accounts payable	\$ -	\$ 126,148	\$ 15,127	\$ 512	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ 143,787	
Accrued liabilities	-	9,315	2,213	4,171	-	7,206	-	-	-	22,905	
Payable from restricted assets	-	-	-	-	-	-	-	-	33,856	33,856	
Total Liabilities	-	135,463	17,340	4,683	-	7,206	2,000	-	33,856	200,548	
Deferred Inflows of Resources											
Unearned property tax revenue	-	-	-	304,190	-	-	-	-	-	304,190	
Total Deferred Inflows of Resources	-	-	-	304,190	-	-	-	-	-	304,190	
Fund Balances:											
Restricted for:											
RAP/Zoo/Arts	-	-	-	-	186,839	-	-	-	-	186,839	
Development fees	-	-	-	-	-	276,349	-	-	-	276,349	
Assigned	841,447	449,846	29,021	111,971	32,598	-	1,182,038	474	278,383	2,925,778	
Unassigned	-	-	-	-	-	-	-	-	-	-	
Total Fund Balances	841,447	449,846	29,021	111,971	219,437	276,349	1,182,038	474	278,383	3,388,966	
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 841,447	\$ 585,309	\$ 46,361	\$ 420,844	\$ 219,437	\$ 283,555	\$ 1,184,038	\$ 474	\$ 312,239	\$ 3,893,704	

HIGHLAND CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2023

	Special Revenue						Capital Projects			Total Nonmajor Governmental Funds	
	Debt Service	Open Space	Cemetery Perpetual Care	Library	RAP/Zoo/Arts	Building Department	Building Capital Project	Northwest Annexation	Town Center Capital Projects		
Revenues:											
Taxes	\$ -	\$ -	\$ -	\$ 341,188	\$ 172,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513,663
Licenses and permits	-	-	-	-	-	5,385	-	-	-	-	5,385
Charges for services	-	298,218	330,437	35,877	-	-	-	-	-	-	664,532
Fines and forfeitures	-	-	-	15,990	-	-	-	-	-	-	15,990
Impact fees	-	-	-	-	-	-	83,483	-	-	-	83,483
Contributions from other governments	-	-	-	18,641	-	-	-	-	-	-	18,641
Interest income	-	17,922	9,659	4,041	3,661	-	42,689	4,105	10,730	-	92,807
Total Revenues	-	316,140	340,096	415,737	176,136	5,385	126,172	4,105	10,730	-	1,394,501
Expenditures:											
Current:											
General government	-	858,780	-	382,176	-	8,469	-	-	-	-	1,249,425
Cemetery	-	-	296,068	-	-	-	-	-	-	-	296,068
Capital outlay	-	-	-	-	-	-	21,850	-	-	-	21,850
Debt service - principal	863,000	-	-	-	-	-	-	-	-	-	863,000
Debt service - interest and finance charges	85,569	-	-	-	-	-	1,500	-	-	-	87,069
Total Expenditures	948,569	858,780	296,068	382,176	-	8,469	23,350	-	-	-	2,517,412
Excess (deficiency) of revenues over (under) expenditures	(948,569)	(542,640)	44,028	33,561	176,136	(3,084)	102,822	4,105	10,730	(1,122,911)	
Other Financing Sources:											
Sale of capital assets	-	153,928	-	-	-	-	-	-	-	-	153,928
Transfers in	948,569	270,941	-	-	-	279,433	-	-	-	-	1,498,943
Transfers out	-	-	(252,044)	-	-	-	(83,483)	(118,981)	-	-	(454,508)
Total Other Financing Sources	948,569	424,869	(252,044)	-	-	279,433	(83,483)	(118,981)	-	-	1,198,363
Net Change in Fund Balances	-	(117,771)	(208,016)	33,561	176,136	276,349	19,339	(114,876)	10,730	75,452	
Fund Balances, Beginning	841,447	567,617	237,037	78,410	43,301	-	1,162,699	115,350	267,653	3,313,514	
Fund Balances, Ending	\$ 841,447	\$ 449,846	\$ 29,021	\$ 111,971	\$ 219,437	\$ 276,349	\$ 1,182,038	\$ 474	\$ 278,383	\$ 3,388,966	

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE



Honorable Mayor and
Members of the City Council
Highland City Corporation
Highland, Utah

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highland City, Utah's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Highland City, Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on 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 detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 30, 2024

HIGHLAND CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>U.S. Department of the Treasury (USDOT)</i>				
Passed through the State of Utah				
Coronavirus State and Local Fiscal Recovery Fu	21.027	None	\$ -	\$ 2,269,374
Coronavirus State and Local Fiscal Recovery Fu	21.027	None	-	5,587
Coronavirus State and Local Fiscal Recovery Fu	21.027	231380	-	1,685,429
Coronavirus State and Local Fiscal Recovery Fu	21.027	230630580	-	139,213
Total USDOT			-	<u>4,099,603</u>
<i>US Department of the Interior (USDOI)</i>				
WaterSMART	15.507	R22AP00525-00	-	<u>757,685</u>
Total USDOI			-	<u>757,685</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 4,857,288</u>

HIGHLAND CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Highland City, Utah (the City) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

HIGHLAND CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	Yes
b. Significant deficiency(ies) identified?	None reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
2. Type of auditor's report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4. Identification of major federal program:	

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Relief Funds
15.507	WaterSMART
5. Dollar threshold used to distinguish between type A and type B programs:	\$750,000
6. Auditee qualified as low-risk auditee?	No

HIGHLAND CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For The Year Ended June 30, 2023

Section II - Financial Statement Findings

2023-001: Financial Close and Reporting (Material Weakness)

Criteria: Utah Code Annotated (UCA) 10-6-107 states: “The accounting records of cities shall be established and maintained, and financial statements prepared from those records in conformance with generally accepted accounting principles...”

Condition: During our audit, material adjustments were required to bring the City’s financial statements into compliance with generally accepted accounting principles as it relates to governmental entities.

Cause: The City’s internal controls over financial reporting were not sufficiently robust to ensure that material adjustments would not be required to bring the City’s financial statements into compliance with generally accepted accounting principles.

Effect: Material audit adjustments were required to be made to correct the financial statements. These adjustments impacted the following significant areas:

- Taxes receivable
- Intergovernmental receivables
- Accounts payable
- Accrued liabilities
- Notes receivable
- Capital Assets
- Long-term debt
- Tax revenues
- Intergovernmental revenues
- Transfers

Recommendation: Although it appears significant improvements have been made from the prior year, we recommend the City staff to continue to improve its efforts to prepare reconciliations for all significant accounts in preparation of closing out the fiscal year. Additionally, we recommend the City allocate sufficient resources to enable City staff to close out the year in a timely manner. We also recommend the City continue to implement policies and procedures to ensure that the City’s records can be prepared in accordance with generally accepted accounting principles.

Views of Responsible Officials: Management of the City concurs with the finding and the recommendation. The City is making efforts to strengthen internal controls to prevent future material misstatements.

Section III - Federal Award Findings and Questioned Costs

None



Highland City Administration Department
5400 West Civic Center Drive Suite 1
Highland, UT 84003
Phone 756-5751 | Fax 756-6903

CITY RESPONSE TO AUDIT FINDING NUMBER 2023-001

Finding:

2023-001 Financial Close and Reporting (Material Weakness)

City Response:

The city agrees with the audit finding that there were material adjustments required to bring the financial statements into compliance with generally accepted accounting principles as it relates to governmental entities.

Person Responsible for Corrective Action:

David Mortensen, CGFM – Finance Director for Highland City

Corrective Action Plan:

City staff will work to improve internal controls over financial reporting for the entity. While it is not feasible to say that staff will be able to eliminate all necessary auditor adjustments in the future, staff will take steps to minimize the number of needed adjustments during the audit and work to eliminate the need for any material adjustments. The city has hired a new Finance Director with a governmental accounting background that will head up the effort to improve the audit preparation process for the foreseeable future.

SUPPLEMENTAL REPORTS

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



Honorable Mayor and
Members of the City Council
Highland City Corporation
Highland, Utah

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City Corporation, Utah (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

City of Highland, Utah's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The City's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

K&C, CPAs

K&C, Certified Public Accountants

Woods Cross, Utah

January 30, 2024



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

**CERTIFIED PUBLIC
ACCOUNTANTS**

Honorable Mayor and
Members of City Council
Highland City Corporation
Highland, Utah

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Report on Compliance

We have audited Highland City, Utah's (the City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Related Restricted Revenues
- Fraud Risk Assessment
- Governmental Fees
- Cash Management
- Open and Public Meetings Act

Opinion on Compliance

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Telephone (801) 590-2600 | 1285 S. 1650 W. Suite 200, Woods Cross, UT 84087

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 30, 2024

HIGHLAND CITY **SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

Government Auditing Standards

2022-001: Financial Close and Reporting (Material Weakness)

Condition: During our audit, material adjustments were required to bring the City's financial statements into compliance with generally accepted accounting principles as it relates to governmental entities.

Criteria: Utah Code Annotated (UCA) 10-6-107 states: "The accounting records of cities shall be established and maintained, and financial statements prepared from those records in conformance with generally accepted accounting principles..."

Cause: As this is the first full year of the finance director's responsibility for the City's financial statements, as well as general time constraints, there were several areas of the financial statements that had not been properly reconciled at the time the audit commenced.

Effect: Material audit adjustments were required to be made to correct the financial statements. These adjustments impacted several significant areas:

Recommendation: Although it appears significant improvements have been made from the prior year, we recommend the City staff to continue to improve its efforts to prepare reconciliations for all significant accounts in preparation of closing out the fiscal year. Additionally, we recommend the City allocate sufficient resources to enable City staff to close out the year in a timely manner. We also recommend the City continue to implement policies and procedures to ensure that the City's records can be prepared in accordance with generally accepted accounting principles.

Current Year Status: This finding has not been completely resolved. A similar finding was noted in the current year.

State Compliance Audit Guide

2022-002: Budgetary Compliance (Material Weakness)

Condition: During our testing of State Compliance, it was noted that the City had expenditures significantly in excess of approved appropriations in the following funds:

- Capital Projects – Roads
- Road Fee Special Revenue
- IT Internal Service Fund

Criteria: The UCA section 10-6-123 states: "City officers may not make or incur expenditures...in excess of total appropriations for any department in the budget as adopted or as subsequently amended."

Cause: Expenditures were not properly monitored and compared to the budget to determine whether additional budget amendments would be necessary. In some cases, unexpected expenditures occurred near year-end and budget amendments could not be made in time.

Effect: The City was not in compliance with the Budgetary Compliance requirements of the UCA.

Recommendation: We recommend the City staff monitor more closely the expenditures of the City and request budget amendments as necessary.

Current Year Status: It appears this has been corrected. No similar finding noted in the current year.