

**HIGHLAND CITY, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**



HIGHLAND CITY

HIGHLAND CITY, UTAH

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Notes to Financial Statements	21
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	45
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Road Fee Special Revenue Fund.....	46
Schedule of the Proportionate Share of the Net Pension Liability – Utah Retirement Systems	47
Schedule of Contributions – Utah Retirement Systems	48
Notes to Required Supplementary Information.....	49
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	51
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	52
Schedule of Expenditures of Federal Awards	54
Notes to the Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56
Corrective Action Plan of Highland City	58
Supplemental Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the <i>State Compliance Audit Guide</i>	61
Summary Schedule of Prior Year Findings and Recommendations	63

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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



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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah (the City) as of and for the year ended June 30, 2024, 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, 2024, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 March 4, 2025, 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
March 4, 2025

HIGHLAND CITY, UTAH

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended June 30, 2024

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, 2024.

Financial Highlights

The assets and deferred outflows of resources of Highland City exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$169,735,506 (net position). Of this amount \$29,467,988 (unrestricted net position) may be used to meet the government's ongoing obligations.

Highland City's total net position increased by \$9,815,048. 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, 2024 of \$17,743,133, an increase of \$849,655. At June 30, 2024 unrestricted fund balance of the general fund was \$4,410,880, or 41.7% 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 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, 2024

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, 2024

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 \$169,735,506 at the close of the fiscal year. The largest portion (81.3%) 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 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Current and other assets	\$ 23,723,950	\$ 21,726,178	\$ 15,303,498	\$ 13,281,738	\$ 39,027,448	\$ 35,007,916
Capital assets	74,652,879	73,177,813	68,176,421	64,674,717	142,829,300	137,852,530
Total Assets	98,376,829	94,903,991	83,479,919	77,956,455	181,856,748	172,860,446
Deferred outflows of resources	485,798	431,060	268,490	204,280	754,288	635,340
Total Assets and Deferred Outflows	<u>\$ 98,862,627</u>	<u>\$ 95,335,051</u>	<u>\$ 83,748,409</u>	<u>\$ 78,160,735</u>	<u>\$182,611,036</u>	<u>\$173,495,786</u>
Current and other liabilities	\$ 3,519,710	\$ 2,434,774	\$ 1,195,381	\$ 2,066,043	\$ 4,715,091	\$ 4,500,817
Long-term liabilities	4,185,593	4,989,443	1,485,451	1,657,656	5,671,044	6,647,099
Total Liabilities	7,705,303	7,424,217	2,680,832	3,723,699	10,386,135	11,147,916
Deferred inflows of resources	2,488,557	2,424,951	838	2,461	2,489,395	2,427,412
Net Position:						
Net investment in capital assets	71,061,379	68,743,874	66,949,732	63,228,071	138,011,111	131,971,945
Restricted	1,825,761	1,295,110	430,646	257,989	2,256,407	1,553,099
Unrestricted	15,781,627	15,446,899	13,686,361	10,948,515	29,467,988	26,395,414
Total Net Position	<u>88,668,767</u>	<u>85,485,883</u>	<u>81,066,739</u>	<u>74,434,575</u>	<u>169,735,506</u>	<u>159,920,458</u>
Total Liabilities, deferred inflows of Resources, and Net Position	<u>\$ 98,862,627</u>	<u>\$ 95,335,051</u>	<u>\$ 83,748,409</u>	<u>\$ 78,160,735</u>	<u>\$182,611,036</u>	<u>\$173,495,786</u>

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2024

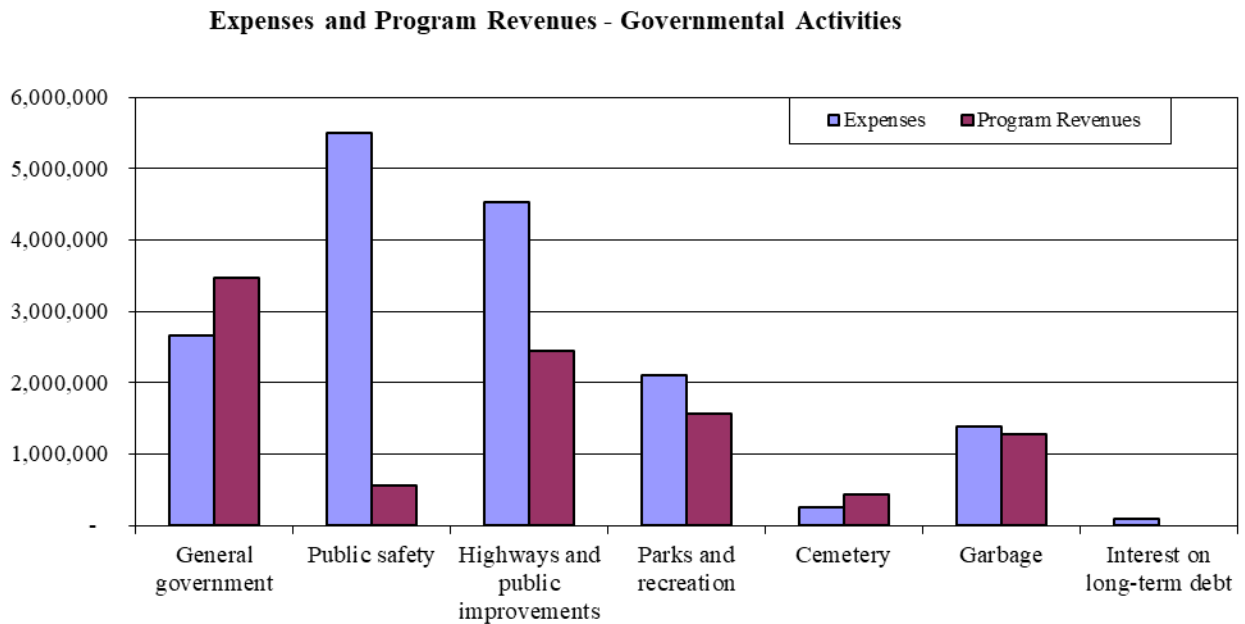
	Governmental Activities 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Revenues:						
Program revenues:						
Charges for services	\$ 6,602,009	\$ 6,323,456	\$ 8,003,334	\$ 7,697,522	\$ 14,605,343	\$ 14,020,978
Operating grants and contributions	1,173,520	1,729,237	-	-	1,173,520	1,729,237
Capital grants and contributions	1,978,978	5,315,068	4,689,914	6,391,185	6,668,892	11,706,253
General revenues:						
Property and uniform vehicle taxes	2,834,751	2,774,434	-	-	2,834,751	2,774,434
Other Taxes	5,760,132	5,631,709	-	-	5,760,132	5,631,709
Other	884,760	700,935	666,648	394,762	1,551,408	1,095,697
Gain (Loss) on disposal of assets	396,701	153,928	7,506	15,000	404,207	168,928
Total Revenues	<u>19,630,851</u>	<u>22,628,767</u>	<u>13,367,402</u>	<u>14,498,469</u>	<u>32,998,253</u>	<u>37,127,236</u>
Expenses:						
General government	2,669,869	3,076,125	-	-	2,669,869	3,076,125
Public safety	5,503,369	5,180,797	-	-	5,503,369	5,180,797
Streets and public improvements	4,530,779	4,716,650	-	-	4,530,779	4,716,650
Parks and recreation	2,099,916	1,198,185	-	-	2,099,916	1,198,185
Cemetery	264,566	325,695	-	-	264,566	325,695
Garbage	1,384,563	1,134,262	-	-	1,384,563	1,134,262
Interest on long-term debt	102,905	126,371	-	-	102,905	126,371
Water	-	-	1,712,782	1,507,763	1,712,782	1,507,763
Pressurized irrigation	-	-	1,730,368	1,489,135	1,730,368	1,489,135
Storm sewer	-	-	785,833	966,044	785,833	966,044
Sewer	-	-	2,398,255	3,746,129	2,398,255	3,746,129
Total Expenses	<u>16,555,967</u>	<u>15,758,085</u>	<u>6,627,238</u>	<u>7,709,071</u>	<u>23,183,205</u>	<u>23,467,156</u>
Increase (Decrease) in net position before transfers	3,074,884	6,870,682	6,740,164	6,789,398	9,815,048	13,660,080
Transfers	108,000	(6,608)	(108,000)	6,608	-	-
Increase (Decrease) in Net Position	<u>3,182,884</u>	<u>6,864,074</u>	<u>6,632,164</u>	<u>6,796,006</u>	<u>9,815,048</u>	<u>13,660,080</u>
Net Position - Beginning	<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>
Net Position - Ending	<u>\$ 88,668,767</u>	<u>\$ 85,485,883</u>	<u>\$ 81,066,739</u>	<u>\$ 74,434,575</u>	<u>\$169,735,506</u>	<u>\$159,920,458</u>

Governmental activities. As noted in the table above, governmental activities increased the City's net position by \$3,182,884. 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.

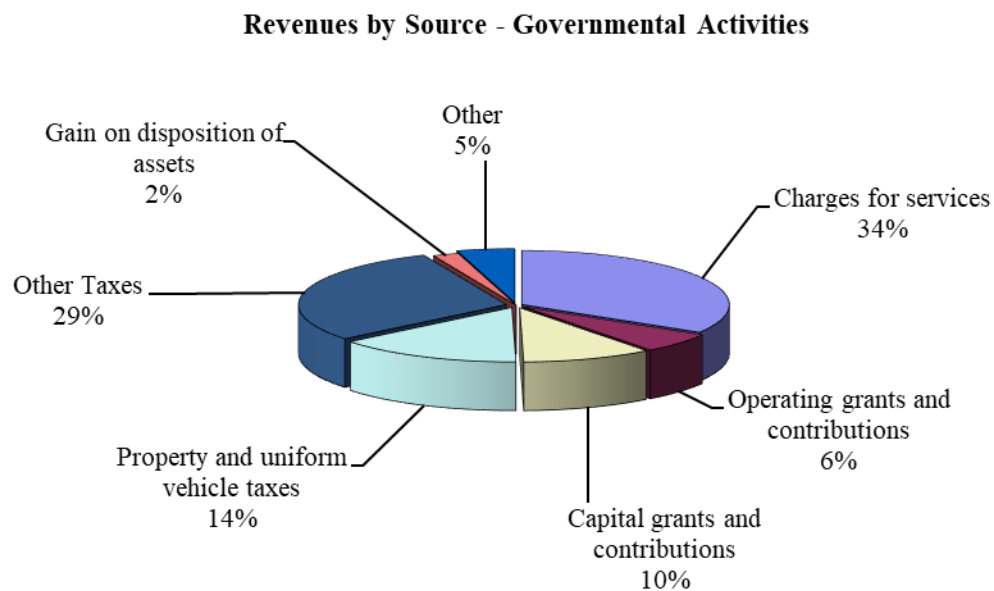
Business-type activities. As noted in the table above, business-type activities increased the City's net position by \$6,632,164. The key elements of the increase from the prior year were increases in grant funds earned related to the water and pressurized irrigation funds, charges for services, and conservative spending.

HIGHLAND CITY, UTAH **MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)** **For The Year Ended June 30, 2024**

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



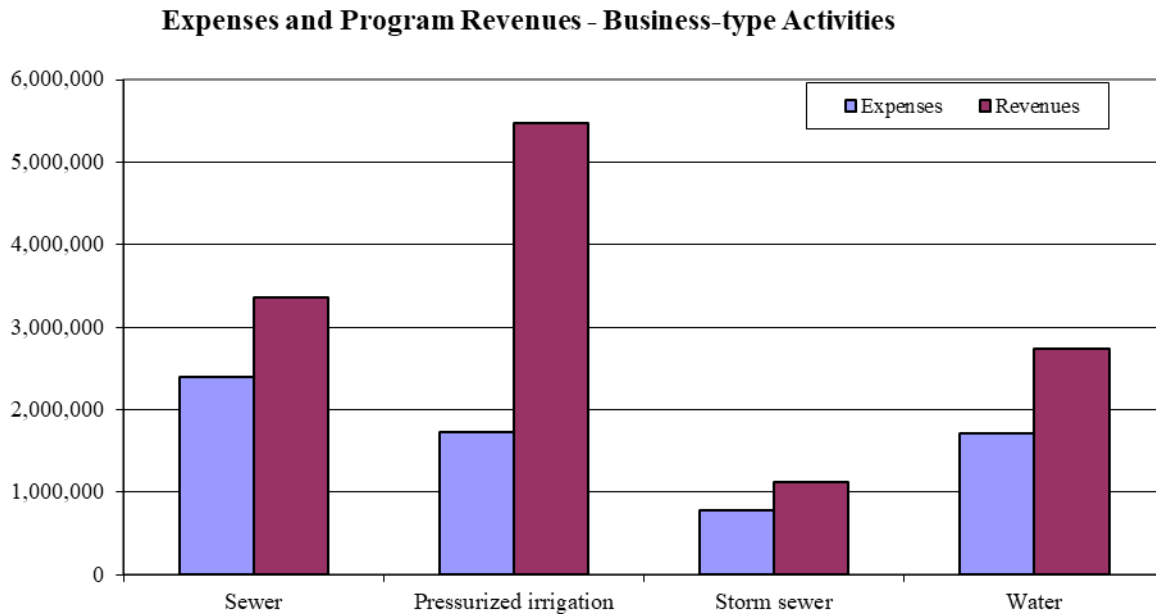
The following chart displays the governmental activities program revenues by type.



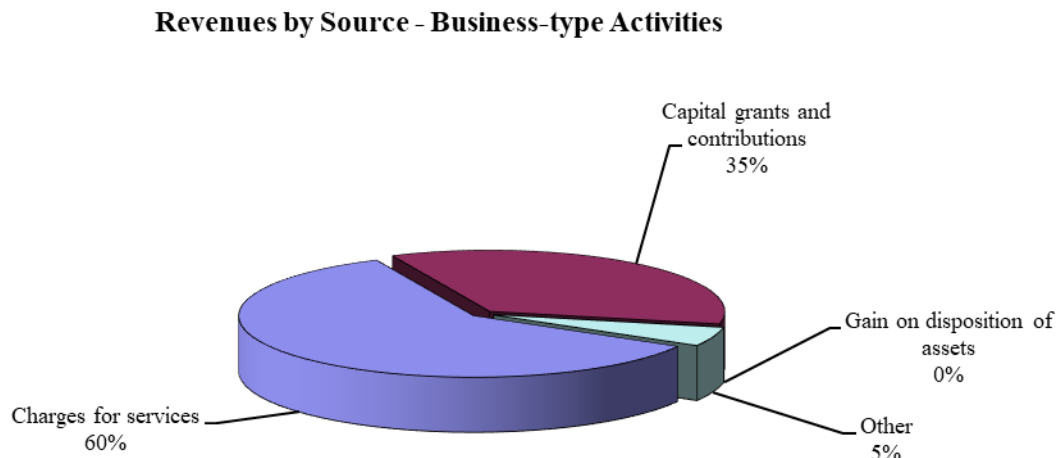
HIGHLAND CITY, UTAH **MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)** **For The Year Ended June 30, 2024**

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.



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



HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2024

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, 2024, the City's governmental funds reported combined ending fund balances of \$17,743,133, which was an increase of \$849,655 in comparison with the prior year.

The general fund is the main operating fund of the City. At June 30, 2024, unrestricted fund balance of the general fund was \$4,471,945. 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 41.7% 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, 2024 amounted to \$3,679,760, which is a increase of \$1,371,042 from the previous year. Operating revenues were \$2,553,633 compared to the prior year's \$2,410,337 due to increases in charges for services. Operating expenses were \$2,397,971 compared to the prior year expenses of \$3,746,461 due to less uncapped project costs during the year.

Pressurized Irrigation fund-Unrestricted net position at June 30, 2024 amounted to \$6,541,618, an increase of \$985,641 from the previous year. Operating revenues were \$2,619,030, compared to the prior year's \$2,612,253. Operating expenses were \$1,696,637, an increase from last year's \$1,467,070 largely due to more uncapped repair and maintenance costs than the prior year.

Culinary Water Fund-Unrestricted net position at June 30, 2024 amounted to \$1,163,469 a decrease of \$56,061 from the previous year. Operating revenues were \$1,959,664, an increase from the prior year's \$1,763,130 operating revenues. Operating expenses were \$1,712,433, which was an increase from the prior year's \$1,508,171 operating expenses largely due to increases in repair and maintenance costs.

Storm Sewer fund- Unrestricted net position at June 30, 2024 amounted to \$2,301,079, an increase of \$438,382 from the previous year. Operating revenues were \$941,896, an increase from the prior year's \$926,802 operating revenues. Operating expenses of \$785,655, a decrease from the prior year's \$966,252 of operating expenses due to decreases in uncapped maintenance costs.

IT internal service fund- Unrestricted net position at June 30, 2024 amounted to \$1,334 a decrease of \$6,779 from the prior year. Operating revenues were \$49,142, a slight decrease from the prior year's \$49,945. Operating expenses of \$55,921 an increase from the prior year's \$40,366 of operating expenses.

General Fund Budgetary Highlights

During the fiscal year, the general funds original budgeted expenditures was amended from \$9,895,973 to a final budget total of \$11,064,677, largely as the result of anticipated increases of Parks and Recreation expenditures and General Government expenditures. The City's general fund came in \$475,259 under the final amended budget.

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2024

Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2024 was \$142,829,300 (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 \$4,976,770, 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 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Land	\$ 37,595,985	\$ 37,595,985	\$ 534,455	\$ 534,455	\$ 38,130,440	\$ 38,130,440
Buildings	15,087,225	14,998,508	1,157,289	1,157,289	16,244,514	16,155,797
Improvements other than buildings	85,375,867	84,703,603	57,005,142	52,812,407	142,381,009	137,516,010
Machinery and equipment	3,657,476	3,553,163	3,301,728	3,094,366	6,959,204	6,647,529
Construction in progress	8,885,256	5,859,811	9,388,809	8,326,743	18,274,065	14,186,554
Water shares	-	-	24,218,106	24,218,106	24,218,106	24,218,106
Total	150,601,809	146,711,070	95,605,529	90,143,366	246,207,338	236,854,436
Less accumulated depreciation	(75,948,930)	(73,533,257)	(27,429,108)	(25,468,649)	(103,378,038)	(99,001,906)
Total Capital Assets, net	<u>\$ 74,652,879</u>	<u>\$ 73,177,813</u>	<u>\$ 68,176,421</u>	<u>\$ 64,674,717</u>	<u>\$142,829,300</u>	<u>\$137,852,530</u>

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

Long-term debt. On June 30, 2024 the City had total bonded debt outstanding of \$3,695,000.

Highland City's Outstanding Debt

	Governmental Activities 2024	Governmental Activities 2023	Business-type Activities 2024	Business-type Activities 2023	Total 2024	Total 2023
Revenue bonds	\$ 3,695,000	\$ 4,574,000	\$ -	\$ -	\$ 3,695,000	\$ 4,574,000
Notes payable	-	-	1,226,689	1,446,646	1,226,689	1,446,646
Compensated absences	286,665	260,110	115,340	101,765	402,005	361,875
Total	<u>\$ 3,981,665</u>	<u>\$ 4,834,110</u>	<u>\$ 1,342,029</u>	<u>\$ 1,548,411</u>	<u>\$ 5,323,694</u>	<u>\$ 6,382,521</u>

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 \$2,933,051,285, 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, 2024 the City's limitation was \$117,322,051 and the additional limitation was \$234,644,103. The City does not have any general obligation bonds outstanding at June 30, 2024.

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 2024-2025 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 level off and start to decrease in the coming year as current large development projects near completion. 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, 2024

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, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 16,617,831	\$ 13,069,430	\$ 29,687,261
Receivables:			
Accounts	18,262	31,810	50,072
Taxes	3,427,801	-	3,427,801
Due from other governments	175,504	1,598,604	1,774,108
Lease receivable	86,246	-	86,246
Notes receivable	-	172,573	172,573
Internal Balances	(435)	435	-
Prepaid expenses	61,065	-	61,065
Restricted amounts:			
Cash and cash equivalents	3,337,676	430,646	3,768,322
Capital Assets:			
Non-depreciable Capital Assets	46,481,241	34,141,370	80,622,611
Depreciable Capital Assets (net)	28,171,638	34,035,051	62,206,689
Total Assets	98,376,829	83,479,919	181,856,748
Deferred Outflows of Resources			
Deferred loss on refunding	103,500	-	103,500
Deferred outflows relating to pensions	382,298	268,490	650,788
Total Deferred Outflows of Resources	485,798	268,490	754,288
Total Assets and Deferred Outflows of Resources	\$ 98,862,627	\$ 83,748,409	\$ 182,611,036
Liabilities:			
Accounts payable	\$ 1,537,598	\$ 1,074,489	\$ 2,612,087
Accrued liabilities	174,893	14,628	189,521
Retainage payable	290,894		290,894
Accrued interest payable	26,396	13,052	39,448
Developer and customer deposits	1,423,132	-	1,423,132
Unearned revenues	32,940	93,212	126,152
Payable from restricted assets	33,857	-	33,857
Noncurrent Liabilities:			
Due within one year	1,044,943	160,607	1,205,550
Due in more than one year	2,936,722	1,181,422	4,118,144
Net pension liability	203,928	143,422	347,350
Total Liabilities	7,705,303	2,680,832	10,386,135
Deferred Inflows of Resources			
Unearned property tax revenue	2,400,358	-	2,400,358
Deferred inflows relating to pensions	1,953	838	2,791
Deferred inflows relating to lease receivables	86,246	-	86,246
Total Deferred Inflows of Resources	2,488,557	838	2,489,395
Total Liabilities and Deferred Inflows of Resources	10,193,860	2,681,670	12,875,530
Net Position:			
Net investment in capital assets	71,061,379	66,949,732	138,011,111
Restricted for:			
Debt Service	-	33,480	33,480
Impact fees	658,021	397,166	1,055,187
RAP/Zoo/Arts	214,295	-	214,295
Development fees	947,129	-	947,129
Open space	6,316	-	6,316
Unrestricted	15,781,627	13,686,361	29,467,988
Total Net Position	88,668,767	81,066,739	169,735,506
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 98,862,627	\$ 83,748,409	\$ 182,611,036

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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 2,669,869	\$ 3,353,871	\$ 110,234	\$ -	\$ 794,236	\$ -	\$ 794,236
Public safety	5,503,369	285,874	96,418	176,158	(4,944,919)	-	(4,944,919)
Streets and public works	4,530,779	1,193,632	966,868	293,310	(2,076,969)	-	(2,076,969)
Parks and recreation	2,099,916	55,483	-	1,509,510	(534,923)	-	(534,923)
Cemetery	264,566	436,408	-	-	171,842	-	171,842
Garbage	1,384,563	1,276,741	-	-	(107,822)	-	(107,822)
Interest on long term debt	102,905	-	-	-	(102,905)	-	(102,905)
Total Governmental Activities	16,555,967	6,602,009	1,173,520	1,978,978	(6,801,460)	-	(6,801,460)
Business-type Activities:							
Sewer	2,398,255	2,553,633	-	803,071	-	958,449	958,449
Pressurized irrigation	1,730,368	2,619,030	-	2,847,921	-	3,736,583	3,736,583
Storm sewer	785,833	934,392	-	190,810	-	339,369	339,369
Water	1,712,782	1,896,279	-	848,112	-	1,031,609	1,031,609
Total Business-type Activities	6,627,238	8,003,334	-	4,689,914	-	6,066,010	6,066,010
Total Government	\$ 23,183,205	\$ 14,605,343	\$ 1,173,520	\$ 6,668,892	(6,801,460)	6,066,010	(735,450)
General Revenues:							
Taxes:							
Property					2,678,666	-	2,678,666
Vehicle					156,085	-	156,085
Sales					4,403,312	-	4,403,312
Franchise					1,356,820	-	1,356,820
Unrestricted investment earnings					848,715	666,648	1,515,363
Gain (Loss) on disposal of assets					396,701	7,506	404,207
Miscellaneous					36,045	-	36,045
Transfers					108,000	(108,000)	-
Total General Revenues					9,984,344	566,154	10,550,498
Changes in Net Position					3,182,884	6,632,164	9,815,048
Net Position, Beginning					85,485,883	74,434,575	159,920,458
Net Position, Ending					\$ 88,668,767	\$ 81,066,739	\$ 169,735,506

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

HIGHLAND CITY, UTAH

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,042,039	\$ 1,161,033	\$ 6,444,397	\$ 763,883	\$ 4,186,511	\$ 16,597,863
Receivables:						
Accounts	12,046	5,145	-	-	1,071	18,262
Taxes	3,078,308	-	-	-	349,493	3,427,801
Due from other governments	175,504	-	-	-	-	175,504
Notes	86,246	-	-	-	-	86,246
Prepaid expenses	61,065	-	-	-	-	61,065
Restricted amounts:						
Cash and cash equivalents	1,456,072	-	-	658,021	1,223,583	3,337,676
Total Assets	\$ 8,911,280	\$ 1,166,178	\$ 6,444,397	\$ 1,421,904	\$ 5,760,658	\$ 23,704,417
Liabilities:						
Accounts payable	\$ 659,891	\$ 806,372	\$ 7,972	\$ -	\$ 44,729	\$ 1,518,964
Accrued liabilities	151,569	941	-	-	22,383	174,893
Retainage payable	-	-	274,840	-	16,054	290,894
Developer bonds - payable from restricted	1,423,132	-	-	-	-	1,423,132
Unearned revenue	32,940	-	-	-	-	32,940
Payable from restricted assets	-	-	-	-	33,857	33,857
Total Liabilities	2,267,532	807,313	282,812	-	117,023	3,474,680
Deferred Inflows of Resources						
Unearned property tax revenue	2,085,557	-	-	-	314,801	2,400,358
Notes receivable	86,246	-	-	-	-	86,246
Total Deferred Inflows of Resources	2,171,803	-	-	-	314,801	2,486,604
Fund Balances:						
Nonspendable:						
Prepaid expenses	61,065	-	-	-	-	61,065
Restricted for:						
Impact fees	-	-	-	658,021	-	658,021
RAP/Zoo/Arts	-	-	-	-	214,295	214,295
Development fees	-	-	-	-	947,129	947,129
Assigned to:						
Cemetery	-	-	-	-	174,921	174,921
Library	-	-	-	-	107,854	107,854
Debt service	-	-	-	-	12,715	12,715
Capital projects & open space funds	-	358,865	6,161,585	763,883	3,871,920	11,156,253
Unassigned	4,410,880	-	-	-	-	4,410,880
Total Fund Balances	4,471,945	358,865	6,161,585	1,421,904	5,328,834	17,743,133
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,911,280	\$ 1,166,178	\$ 6,444,397	\$ 1,421,904	\$ 5,760,658	\$ 23,704,417

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, 2024

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

Total Fund Balances - Governmental Funds	\$ 17,743,133
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,652,879
Deferred loss on refunding of debt is not a financial resource, and therefore, is not reported in the funds.	103,500
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.	(26,396)
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.	176,417
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.	(3,981,665)
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.	899
Total Net Position - Governmental Activities	<u><u>\$ 88,668,767</u></u>

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

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2024

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 8,066,962	\$ -	\$ -	\$ -	\$ 527,921	\$ 8,594,883
Licenses and permits	28,328	-	-	-	1,416,809	1,445,137
Intergovernmental	1,063,286	-	51,063	-	-	1,114,349
Impact fees	-	-	1,473,395	125,252	176,158	1,774,805
Charges for services	2,827,001	1,181,807	-	-	475,327	4,484,135
Exaction fees	-	-	-	-	16,389	16,389
Fines and forfeitures	285,874	-	-	-	16,584	302,458
Contributions from other governments	-	-	49,719	35	9,452	59,206
Interest	297,473	59,934	339,142	4,001	198,684	899,234
Miscellaneous	35,653	-	-	-	-	35,653
Total Revenues	12,604,577	1,241,741	1,913,319	129,288	2,837,324	18,726,249
Expenditures:						
Current:						
General government	1,304,262	-	-	-	1,237,063	2,541,325
Public safety	5,316,438	-	-	-	-	5,316,438
Streets and public works	876,272	1,422,472	-	822,298	-	3,121,042
Parks and recreation	1,707,032	-	2,969,551	-	-	4,676,583
Cemetery	-	-	-	-	295,654	295,654
Garbage	1,385,414	-	-	-	-	1,385,414
Capital outlay	-	-	-	-	94,507	94,507
Debt service:						
Principal	-	-	-	-	879,000	879,000
Interest	-	-	2,100	-	69,232	71,332
Total Expenditures	10,589,418	1,422,472	2,971,651	822,298	2,575,456	18,381,295
Excess (deficiency) of revenues over (under) expenditures	<u>2,015,159</u>	<u>(180,731)</u>	<u>(1,058,332)</u>	<u>(693,010)</u>	<u>261,868</u>	<u>344,954</u>
Other Financing Sources (Uses):						
Sale of capital assets	47,352	-	16,511	332,838	-	396,701
Transfers in	949,000	-	470,000	1,400,000	3,349,000	6,168,000
Transfers out	(3,989,000)	-	(400,000)	-	(1,671,000)	(6,060,000)
Total Other Financing Sources (Uses)	(2,992,648)	-	86,511	1,732,838	1,678,000	504,701
Net Change in Fund Balances	(977,489)	(180,731)	(971,821)	1,039,828	1,939,868	849,655
Fund Balances, Beginning	5,449,434	539,596	7,133,406	382,076	3,388,966	16,893,478
Fund Balances, Ending	\$ 4,471,945	\$ 358,865	\$ 6,161,585	\$ 1,421,904	\$ 5,328,834	\$ 17,743,133

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, 2024

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

Net Change in Fund Balances - Total Governmental Funds	\$ 849,655
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	3,870,048
Depreciation expense	(2,599,120)
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.	204,138
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	879,000
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.	45,011
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	2,889
Amortization of deferred loss	(36,562)
Compensated absences	(26,555)
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.	(5,620)
Changes in net position of governmental activities	\$ 3,182,884

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

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2024

	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	\$ 3,940,354	\$ 5,329,610	\$ 1,485,811	\$ 2,313,655	\$ 13,069,430	\$ 19,968
Restricted cash and cash equivalents	-	60,269	370,377	-	430,646	-
Accounts receivable	12,582	5,013	11,087	3,128	31,810	-
Intergovernmental receivable	-	1,598,604	-	-	1,598,604	-
Total Current Assets	3,952,936	6,993,496	1,867,275	2,316,783	15,130,490	19,968
Noncurrent Assets:						
Note receivables	-	172,573	-	-	172,573	-
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	-	6,299,733	2,976,963	112,113	9,388,809	-
Depreciable						
Buildings	-	663,667	493,622	-	1,157,289	-
Infrastructure	16,872,154	18,188,609	14,816,946	7,127,433	57,005,142	-
Machinery and equipment	556,199	547,523	1,818,585	379,421	3,301,728	-
Less accumulated depreciation	(7,428,701)	(9,224,733)	(8,082,110)	(2,693,564)	(27,429,108)	-
Total Noncurrent Assets	10,026,192	39,505,079	13,768,987	5,048,736	68,348,994	-
Total Assets	13,979,128	46,498,575	15,636,262	7,365,519	83,479,484	19,968
Deferred Outflows of Resources						
Deferred outflows relating to pensions	75,163	57,646	77,427	58,254	268,490	-
Liabilities:						
Current Liabilities:						
Accounts payable	\$ 288,390	\$ 532,918	\$ 237,065	\$ 16,116	\$ 1,074,489	\$ 18,634
Accrued liabilities	2,055	4,928	4,465	3,180	14,628	-
Accrued interest payable	-	13,052	-	-	13,052	-
Unearned revenue	-	-	93,212	-	93,212	-
Compensated absences	11,520	14,614	20,691	13,164	59,989	-
Total Current Liabilities	301,965	666,130	355,433	32,460	1,355,988	18,634
Noncurrent Liabilities:						
Compensated absences	11,404	17,774	12,612	13,561	55,351	-
Notes payable	-	1,126,071	-	-	1,126,071	-
Net pension liability	34,735	38,321	42,578	27,788	143,422	-
Total Noncurrent Liabilities	46,139	1,182,166	55,190	41,349	1,324,844	-
Total Liabilities	348,104	1,848,296	410,623	73,809	2,680,832	18,634
Deferred Inflows of Resources						
Deferred inflows relating to pensions	235	221	233	149	838	-
Net Position:						
Net investment in capital assets	10,026,192	38,105,817	13,768,987	5,048,736	66,949,732	-
Restricted:						
Impact fees	-	26,789	370,377	-	397,166	-
Debt service	-	33,480	-	-	33,480	-
Unrestricted	3,679,760	6,541,618	1,163,469	2,301,079	13,685,926	1,334
Total Net Position	\$ 13,705,952	\$ 44,707,704	\$ 15,302,833	\$ 7,349,815	81,066,304	\$ 1,334
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					435	
Net position of business-type activities					<u>\$ 81,066,739</u>	

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, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Pressurized Irrigation	Culinary Water	Storm Sewer	Total	IT Internal Service
Operating Revenues:						
Charges for services	\$ 2,553,633	\$ 2,619,030	\$ 1,737,957	\$ 934,392	\$ 7,845,012	\$ 48,750
Connection fees	-	-	151,072	-	151,072	-
Miscellaneous	-	-	70,635	7,506	78,141	392
Total Operating Revenues	<u>2,553,633</u>	<u>2,619,030</u>	<u>1,959,664</u>	<u>941,898</u>	<u>8,074,225</u>	<u>49,142</u>
Operating Expenses:						
Salaries and benefits	225,603	396,020	335,519	258,877	1,216,019	-
Operations	1,621,980	765,193	779,845	241,960	3,408,978	55,921
Depreciation	550,388	535,424	597,069	284,818	1,967,699	-
Total Operating Expenses	<u>2,397,971</u>	<u>1,696,637</u>	<u>1,712,433</u>	<u>785,655</u>	<u>6,592,696</u>	<u>55,921</u>
Operating Income (Loss)	<u>155,662</u>	<u>922,393</u>	<u>247,231</u>	<u>156,243</u>	<u>1,481,529</u>	<u>(6,779)</u>
Nonoperating Revenues (Expenses):						
Impact fees	723,310	444,370	149,972	-	1,317,652	-
Grant revenue	-	2,368,608	767,575	-	3,136,183	-
Interest income	163,181	269,677	124,356	109,434	666,648	-
Interest expense	-	(33,384)	-	-	(33,384)	-
Total Nonoperating Revenues (Expenses)	<u>886,491</u>	<u>3,049,271</u>	<u>1,041,903</u>	<u>109,434</u>	<u>5,087,099</u>	<u>-</u>
Income (Loss) Before Contributions and transfers	<u>1,042,153</u>	<u>3,971,664</u>	<u>1,289,134</u>	<u>265,677</u>	<u>6,568,628</u>	<u>(6,779)</u>
Capital Contributions	79,761	34,943	17,152	40,838	172,694	-
Transfers out	<u>-</u>	<u>(108,000)</u>	<u>-</u>	<u>-</u>	<u>(108,000)</u>	<u>-</u>
Changes in Net Position	<u>1,121,914</u>	<u>3,898,607</u>	<u>1,306,286</u>	<u>306,515</u>	<u>6,633,322</u>	<u>(6,779)</u>
Net Position, Beginning	<u>12,584,038</u>	<u>40,809,097</u>	<u>13,996,547</u>	<u>7,043,300</u>		<u>8,113</u>
Net Position, Ending	<u>\$ 13,705,952</u>	<u>\$ 44,707,704</u>	<u>\$ 15,302,833</u>	<u>\$ 7,349,815</u>		<u>\$ 1,334</u>
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.					(1,158)	
Changes in net position of business-type activities					<u>\$ 6,632,164</u>	

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, 2024

	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	\$ 2,554,439	\$ 2,692,434	\$ 1,964,546	\$ 943,809	\$ 8,155,228	\$ -
Cash receipts from interfund services provided	-	-	-	-	-	49,142
Cash payments to suppliers for goods and services	(1,761,987)	(681,498)	(784,321)	(282,663)	(3,510,469)	(41,830)
Cash payments to employees	(230,946)	(400,641)	(337,150)	(263,811)	(1,232,548)	-
Net cash provided (used) by operating activities	561,506	1,610,295	843,075	397,335	3,412,211	7,312
Cash Flows From Non-Capital Financing Activities:						
Transfers to other funds	-	(108,000)	-	-	(108,000)	-
Net cash provided (used) by non-capital financing activities	-	(108,000)	-	-	(108,000)	-
Cash Flows From Capital and Related Financing Activities:						
Principal payments on bonds and notes payable	-	(219,957)	-	-	(219,957)	-
Capital grants	-	1,312,900	-	-	1,312,900	-
Interest and fees paid on bonds and notes payable	-	(36,532)	-	-	(36,532)	-
Receipt of impact fees	723,310	444,370	149,972	-	1,317,652	-
Purchase of capital assets	(221,499)	(3,185,648)	(1,777,449)	(112,113)	(5,296,709)	-
Net cash provided (used) by capital and related financing activities	501,811	(1,684,867)	(1,627,477)	(112,113)	(2,922,646)	-
Cash Flows From Investing Activities:						
Interest on investments	163,181	269,677	124,356	109,434	666,648	-
Net cash provided (used) by investing activities	163,181	269,677	124,356	109,434	666,648	-
Net Increase (Decrease) In Cash	1,226,498	87,105	(660,046)	394,656	1,048,213	7,312
Cash at Beginning of Year	2,713,856	5,302,774	2,516,234	1,918,999	12,451,863	12,656
Cash at End of Year	\$ 3,940,354	\$ 5,389,879	\$ 1,856,188	\$ 2,313,655	\$ 13,500,076	\$ 19,968
As reported on the Statement of Net Position:						
Cash and cash equivalents	\$ 3,940,354	\$ 5,329,610	\$ 1,485,811	\$ 2,313,655	\$ 13,069,430	\$ 19,968
Restricted cash and cash equivalents	-	60,269	370,377	-	430,646	-
Total Cash at End of Year	\$ 3,940,354	\$ 5,389,879	\$ 1,856,188	\$ 2,313,655	\$ 13,500,076	\$ 19,968
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 155,662	\$ 919,821	\$ 247,231	\$ 156,243	\$ 1,478,957	\$ (6,779)
Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities:						
Depreciation	550,388	535,424	597,069	284,818	1,967,699	-
(Increase) decrease in assets:						
Accounts receivable	806	10,412	4,882	1,911	18,011	-
Note receivable	-	62,992	-	-	62,992	-
Deferred outflows relating to pensions	(15,551)	(17,156)	(19,062)	(12,441)	(64,210)	-
Increase (decrease) in liabilities:						
Accounts payable	(140,007)	83,695	(4,476)	(40,703)	(101,491)	14,091
Accrued liabilities	(344)	606	748	542	1,552	-
Compensated absences	2,668	3,231	7,019	657	13,575	-
Net pension liability	8,277	9,132	10,146	6,622	34,177	-
Deferred inflows relating to pensions	(393)	(434)	(482)	(314)	(1,623)	-
Net cash provided (used) by operating activities	\$ 561,506	\$ 1,607,723	\$ 843,075	\$ 397,335	\$ 3,409,639	\$ 7,312
Noncash investing, capital, and financing activities:						
Contributions of capital assets	\$ 79,761	\$ 34,943	\$ 17,152	\$ 40,838	\$ 172,694	\$ -
Addition of capital assets from assumed notes payable	-	-	-	-	-	-

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:

Assets	Years
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, 2024, 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) Deficit Fund Equity

As of June 30, 2024, 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, 2024 was \$30,852,610 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	\$ 2,202,617	\$ 2,649,290	N/A	N/A
Investment (3):				
Utah State Treasurer's Investment Pool	<u>30,852,610</u>	<u>30,806,293</u>	N/A	Less than 1
Total cash and cash equivalents	<u>\$ 33,055,227</u>	<u>\$ 33,455,583</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, 2024, \$1,952,617 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, 2024.

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, 2024 were as follows:

	In	Out
Governmental activities		
General fund	\$ 949,000	\$ 3,989,000
Capital Projects - Parks	470,000	400,000
Capital Projects - Roads	1,400,000	-
Nonmajor governmental funds	3,349,000	1,671,000
Total governmental activities	6,168,000	6,060,000
Business activities		
Pressurized irrigation	-	108,000
Total business activities	-	108,000
Total Transfers	<u>\$ 6,168,000</u>	<u>\$ 6,168,000</u>

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, 2024:

	Restricted Cash and Cash Equivalents	Total Restricted Assets
Governmental activities		
Construction bonds	\$ 1,423,132	1,423,132
Unearned revenues	32,940	32,940
Development fees	975,431	975,431
Exaction fee	33,857	33,857
Impact fees	658,021	658,021
RAP/Zoo/Arts	214,295	214,295
Total governmental activities	3,337,676	3,337,676
Business-type activities		
Restricted for impact fees	370,377	370,377
Debt service	60,269	60,269
Total business-type activities	430,646	430,646
Total restricted assets	<u>\$ 3,768,322</u>	<u>\$ 3,768,322</u>

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, 2024, is as follows:

	Balance June 30, 2023	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2024
Governmental activities:				
Capital assets, not being depreciated:				
Land and right of way	\$37,595,985	\$ -	\$ -	\$37,595,985
Construction in progress	5,859,811	3,025,445	-	8,885,256
Total capital assets, not being depreciated	<u>43,455,796</u>	<u>3,025,445</u>	<u>-</u>	<u>46,481,241</u>
Capital assets, being depreciated:				
Buildings and structures	14,998,508	88,717	-	15,087,225
Improvements and infrastructure	84,703,603	672,264	-	85,375,867
Machinery, equipment and vehicles	3,553,163	287,760	(183,447)	3,657,476
Total capital assets, being depreciated	<u>103,255,274</u>	<u>1,048,741</u>	<u>(183,447)</u>	<u>104,120,568</u>
Less accumulated depreciation for:				
Buildings and structures	(5,792,574)	(401,386)	-	(6,193,960)
Improvements and infrastructure	(65,524,315)	(1,909,962)	-	(67,434,277)
Machinery, equipment and vehicles	(2,216,368)	(287,772)	183,447	(2,320,693)
Total accumulated depreciation	<u>(73,533,257)</u>	<u>(2,599,120)</u>	<u>183,447</u>	<u>(75,948,930)</u>
Total capital assets, net of accumulated depreciation	<u>29,722,017</u>	<u>(1,550,379)</u>	<u>-</u>	<u>28,171,638</u>
Governmental activities capital assets, net	<u><u>\$73,177,813</u></u>	<u><u>\$ 1,475,066</u></u>	<u><u>\$ -</u></u>	<u><u>\$74,652,879</u></u>

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

Governmental activities:	
General government	\$ 245,754
Public Safety	183,091
Streets and Public Works	1,776,229
Parks and recreation	347,816
Cemetery	46,230
Total depreciation expense - governmental activities	<u><u>\$ 2,599,120</u></u>

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, 2024:

	Balance June 30, 2023	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2024
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 534,455	\$ -	\$ -	\$ 534,455
Construction in progress	8,326,743	4,559,308	(3,497,242)	9,388,809
Water Shares	24,218,106	-	-	24,218,106
Total capital assets, not being depreciated	33,079,304	4,559,308	(3,497,242)	34,141,370
Capital assets, being depreciated:				
Buildings and structures	1,157,289	-	-	1,157,289
Improvements and infrastructure	52,812,407	4,192,734	-	57,005,141
Machinery, equipment and vehicles	3,094,366	214,603	(7,241)	3,301,728
Total capital assets, being depreciated	57,064,062	4,407,337	(7,241)	61,464,158
Less accumulated depreciation for:				
Buildings and structures	(801,345)	(40,120)	-	(841,465)
Improvements and infrastructure	(22,645,907)	(1,752,435)	-	(24,398,342)
Machinery, equipment and vehicles	(2,021,397)	(175,144)	7,241	(2,189,300)
Total accumulated depreciation	(25,468,649)	(1,967,699)	7,241	(27,429,107)
Total capital assets, net of accumulated depreciation	31,595,413	2,439,638	-	34,035,051
Business-type activities capital assets, net	\$64,674,717	\$ 6,998,946	\$(3,497,242)	\$68,176,421

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

Business-type activities	
Sewer	\$ 550,388
Pressurized Irrigation	535,424
Storm Drain	284,818
Water	597,069
Total depreciation expense - business-type activities	\$ 1,967,699

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, 2024 the balance of these notes receivable were \$172,573. 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 \$2,085,557, and \$314,801, 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, 2025, 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, 2024.

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:

	<u>2024</u>
Payments to Lone Peak:	
Administrative expenses	\$ 283,884
Member payments for	
Police	2,857,933
Fire / EMS	<u>2,174,621</u>
Total payments to Lone Peak	<u>\$ 5,316,438</u>
Receipts from Lone Peak:	
Rent of office space	\$ 221,050
Reimbursement of employee wages	
and office supplies used by Lone Peak	<u>160,804</u>
Total receipts from Lone Peak	<u>\$ 381,854</u>

NOTE 12 LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2024:

	June 30, 2023	Additions	Retirements	June 30, 2024	Due Within One Year
Governmental Activities:					
<i>Direct Placement</i>					
Revenue Bonds, Series 2016	\$ 2,896,000	\$ -	\$ (475,000)	\$ 2,421,000	\$ 472,000
Revenue Bonds, Series 2020	<u>1,678,000</u>	<u>-</u>	<u>(404,000)</u>	<u>1,274,000</u>	<u>422,000</u>
Total bonds payable	<u>4,574,000</u>	<u>-</u>	<u>(879,000)</u>	<u>3,695,000</u>	<u>894,000</u>
<i>Other long-term liabilities</i>					
Compensated absences	260,110	157,811	(131,256)	286,665	150,943
Net pension liability	<u>155,333</u>	<u>48,595</u>	<u>-</u>	<u>203,928</u>	<u>-</u>
Total other long-term liabilities	<u>415,443</u>	<u>206,406</u>	<u>(131,256)</u>	<u>490,593</u>	<u>150,943</u>
Governmental activities long-term liabilities	<u>\$ 4,989,443</u>	<u>\$ 206,406</u>	<u>\$ (1,010,256)</u>	<u>\$ 4,185,593</u>	<u>\$ 1,044,943</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.

\$ 2,421,000

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.

1,274,000

Total Tax Revenue Bonds - Governmental Activities

\$ 3,695,000

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, 2024 \$1,301,000 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 \$3,695,000 has been pledged through 2028. The current revenue recognized during the period for pledged Franchise and Sales Tax Revenue bonds was \$5,329,340 compared to principal and interest of \$950,637 paid during the year which equals a coverage ratio of 5.61.

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, 2024, are as follows:

Year Ending June 30,	Governmental Activities	
	Sales and Franchise Tax	
	Revenue Bonds	
	Principal	Interest
2025	\$ 894,000	\$ 59,535
2026	912,000	45,016
2027	924,000	30,032
2028	965,000	10,108
	<u>\$ 3,695,000</u>	<u>\$ 144,691</u>

	June 30, 2023	Additions	Retirements	June 30, 2024	Due Within One Year
Business-type Activities:					
<i>Direct Placement</i>					
Notes payable	\$ 1,446,646	\$ -	\$ (219,957)	\$ 1,226,689	\$ 100,618
Total bonds and notes payable	<u>1,446,646</u>	<u>-</u>	<u>(219,957)</u>	<u>1,226,689</u>	<u>100,618</u>
<i>Other long-term liabilities</i>					
Compensated absences	101,765	65,758	(52,183)	115,340	59,989
Net pension liability	109,245	34,177	-	143,422	-
Total other long-term liabilities	<u>211,010</u>	<u>99,935</u>	<u>(52,183)</u>	<u>258,762</u>	<u>59,989</u>
Business-type activities long-term liabilities	<u>\$ 1,657,656</u>	<u>\$ 99,935</u>	<u>\$ (272,140)</u>	<u>\$ 1,485,451</u>	<u>\$ 160,607</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. \$ 284,331

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. 942,358

Total Notes Payable - Business-type Activities \$ 1,226,689

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, 2024, are as follows:

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Notes Payable - Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 100,618	\$ 25,022
2026	102,670	22,970
2027	104,764	20,876
2028	106,901	18,739
2029	109,082	16,558
2030-2034	579,703	48,496
2035	122,952	2,687
	<u>\$ 1,226,689</u>	<u>\$ 155,346</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, 2024, \$1,280,000 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, 2024, \$2,310,000 of defeased bonds are still outstanding.

No interest was capitalized during the fiscal year ended June 30, 2024. Total interest incurred and charged to expense totaled \$136,289.

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 no 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, 2024 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, 2024, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 213,436	-
Tier 2 Public Employees System	117,526	-
Tier 2 DC Only System	29,156	-
Total Contributions	\$ 360,118	\$ -

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, 2024, we reported a net pension asset of \$0 and a net pension liability of \$347,350.

	(Measurement Date): December 31, 2023				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 2022	Change (Decrease)
Noncontributory System	\$ -	\$ 298,388	0.1286397%	0.1354191%	-0.0067794%
Tier 2 Public Employees System	-	48,962	0.0251551%	0.0299748%	-0.0048197%
Total Net Pension Asset / Liability	\$ -	\$ 347,350			

The net pension asset and liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2023, 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, 2024, we recognized pension expense of \$282,822.

HIGHLAND CITY, UTAH

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

At June 30, 2024 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	\$ 224,617	\$ 802
Changes in assumptions	117,565	39
Net difference between projected and actual earnings on pension plan investments	102,562	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,362	1,950
Contributions subsequent to the measurement date	191,682	-
Total	<u>\$ 650,788</u>	<u>\$ 2,791</u>

\$191,682 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, 2023.

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
2024	\$ 139,211
2025	130,307
2026	194,060
2027	(36,701)
2028	5,504
Thereafter	23,934

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, 2024, we recognized pension expense of \$218,530.

At June 30, 2024, 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	\$ 208,935	\$ -
Changes in assumptions	89,540	-
Net difference between projected and actual earnings on pension plan investments	97,033	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,807	-
Contributions subsequent to the measurement date	115,354	-
Total	<u>\$ 514,669</u>	<u>\$ -</u>

\$115,354 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, 2024.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2024	\$ 134,247
2025	123,393
2026	182,429
2027	(40,754)
2028	-
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, 2024, we recognized pension expense of \$64,292.

At June 30, 2024, 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	\$ 15,682	\$ 802
Changes in assumptions	28,025	39
Net difference between projected and actual earnings on pension plan investments	5,529	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,555	1,950
Contributions subsequent to the measurement date	76,328	-
Total	<u>\$ 136,119</u>	<u>\$ 2,791</u>

\$76,328 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, 2023.

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
2024	\$ 4,964
2025	6,914
2026	11,631
2027	4,053
2028	5,504
Thereafter	23,934

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.5 – 9.5 percent, average, including inflation
Investment Rate of Return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

HIGHLAND CITY, UTAH

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

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 longterm expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	35.00%	6.87%	2.40%
Debt securities	20.00%	1.54%	0.31%
Real assets	18.00%	5.43%	0.98%
Private equity	12.00%	9.80%	1.18%
Absolute return	15.00%	3.86%	0.58%
Cash and cash equivalents	0.00%	0.24%	0.00%
Totals	100.00%		5.45%
		Inflation	2.50%
		Expected arithmetic nominal return	7.95%

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and 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 (asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.85 percent) or 1.00 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	\$ 1,548,618	\$ 298,388	\$ (748,595)
Tier 2 Public Employees System	168,225	48,962	(43,527)
Total	\$ 1,716,843	\$ 347,350	\$ (792,122)

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:

	2024	2023	2022
401(k) Plan			
Employer Contributions	\$ 267,566	\$ 279,116	\$ 225,169
Employee Contributions	139,810	101,222	75,388
457 Plan			
Employer Contributions	5,420	-	16
Employee Contributions	49,492	28,970	28,850
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	31,637	37,425	31,384

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.

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, 2024

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 7,648,183	\$ 7,993,183	\$ 8,066,962	\$ 73,779
Licenses and permits	19,000	19,000	28,328	9,328
Intergovernmental	1,020,000	1,070,000	1,063,286	(6,714)
Charges for services	2,650,280	2,715,280	2,827,001	111,721
Fines and forfeitures	146,500	248,500	285,874	37,374
Interest	75,000	270,000	297,473	27,473
Miscellaneous	30,000	30,000	35,653	5,653
Total Revenues	<u>11,588,963</u>	<u>12,345,963</u>	<u>12,604,577</u>	<u>258,614</u>
Expenditures:				
Current:				
General government	1,207,613	1,391,980	1,304,262	87,718
Public safety	5,361,339	5,397,579	5,316,438	81,141
Streets and public works	1,048,085	1,114,085	876,272	237,813
Parks and recreation	1,050,245	1,854,040	1,707,032	147,008
Garbage	1,228,691	1,306,993	1,385,414	(78,421)
Total Expenditures	<u>9,895,973</u>	<u>11,064,677</u>	<u>10,589,418</u>	<u>475,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,692,990</u>	<u>1,281,286</u>	<u>2,015,159</u>	<u>733,873</u>
Other Financing Sources (Uses):				
Sale of capital assets	136,000	76,000	47,352	(28,648)
Transfers in	1,161,860	949,000	949,000	-
Transfers out	(2,929,152)	(3,989,000)	(3,989,000)	-
Appropriated fund balance	-	217,973	-	(217,973)
Total Other Financing Sources (Uses)	<u>(1,631,292)</u>	<u>(2,746,027)</u>	<u>(2,992,648)</u>	<u>(246,621)</u>
Net Change in Fund Balances	<u>\$ 61,698</u>	<u>\$ (1,464,741)</u>	<u>(977,489)</u>	<u>\$ 487,252</u>
Fund Balance, Beginning			<u>5,449,434</u>	
Fund Balance, Ending			<u>\$ 4,471,945</u>	

HIGHLAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – ROAD FEE SPECIAL REVENUE
For The Year Ended June 30, 2024

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Charges for services	\$ 1,111,212	\$ 1,111,212	\$ 1,181,807	\$ 70,595
Interest	20,000	20,000	59,934	39,934
Total Revenues	<u>1,131,212</u>	<u>1,131,212</u>	<u>1,241,741</u>	<u>110,529</u>
Expenditures:				
Current:				
Streets and public works	<u>1,131,212</u>	<u>1,631,212</u>	<u>1,422,472</u>	<u>208,740</u>
Total Expenditures	<u>1,131,212</u>	<u>1,631,212</u>	<u>1,422,472</u>	<u>208,740</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(500,000)</u>	<u>(180,731)</u>	<u>319,269</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(180,731)</u>	<u>\$ (180,731)</u>
Fund Balance, Beginning			<u>539,596</u>	
Fund Balance, Ending			<u>\$ 358,865</u>	

HIGHLAND CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS

June 30, 2024

Measurement Date of December 31, 2023

Last 10 Fiscal Years

For the year ended December 31,	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)
Noncontributory Retirement System					
2023	0.1286397%	\$ 298,388	\$ 1,080,937	27.60%	96.9%
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					
2023	0.0251551%	\$ 48,961	\$ 650,348	7.53%	89.6%
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%

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

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory System					
2024	\$ 213,436	\$ 213,436	\$ -	\$ 1,187,735	17.97%
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%
Tier 2 Public Employees System*					
2024	\$ 117,526	\$ 117,526	\$ -	\$ 734,080	16.01%
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%
Tier 2 Public Employees DC Only System*					
2024	\$ 29,156	\$ 29,156	\$ -	\$ 471,021	6.19%
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%

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

HIGHLAND CITY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the fiscal Year Ended June 30, 2024

Changes in Assumptions:

Changes include updates to the mortality improvement assumption, salary increase assumption, disability incidence assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

SUPPLEMENTARY INFORMATION

HIGHLAND CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2024

	Special Revenue						Capital Projects			Total
			Cemetery			Building	Building	Northwest	Town Center	Nonmajor
	Debt Service	Open Space	Perpetual Care	Library	RAP/Zoo/Arts	Department	Capital Project	Annexation	Capital Projects	Governmental Funds
Assets:										
Cash and cash equivalents	\$ 12,715	\$ 14,560	\$ 199,877	\$ 108,040	\$ -	\$ -	\$ 3,845,108	\$ 17	\$ 6,194	\$ 4,186,511
Restricted cash and cash equivalents	-	-	-	-	214,295	975,431	-	-	33,857	1,223,583
Receivables:										
Accounts	-	1,071	-	-	-	-	-	-	-	1,071
Property taxes	-	-	-	317,914	31,579	-	-	-	-	349,493
Total Assets	\$ 12,715	\$ 15,631	\$ 199,877	\$ 425,954	\$ 245,874	\$ 975,431	\$ 3,845,108	\$ 17	\$ 40,051	\$ 5,760,658
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 22,847	\$ 51	\$ -	\$ 20,591	\$ 1,240	\$ -	\$ -	\$ 44,729
Accrued liabilities	-	9,315	2,109	3,248	-	7,711	-	-	-	22,383
Retainage payable	-	-	-	-	-	-	16,054	-	-	16,054
Payable from restricted assets	-	-	-	-	-	-	-	-	33,857	33,857
Total Liabilities	-	9,315	24,956	3,299	-	28,302	17,294	-	33,857	117,023
Deferred Inflows of Resources										
Unearned property tax revenue	-	-	-	314,801	-	-	-	-	-	314,801
Total Deferred Inflows of Resources	-	-	-	314,801	-	-	-	-	-	314,801
Fund Balances:										
Restricted for:										
RAP/Zoo/Arts	-	-	-	-	214,295	-	-	-	-	214,295
Development fees	-	-	-	-	-	947,129	-	-	-	947,129
Assigned	12,715	6,316	174,921	107,854	31,579	-	3,827,814	17	6,194	4,167,410
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	12,715	6,316	174,921	107,854	245,874	947,129	3,827,814	17	6,194	5,328,834
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,715	\$ 15,631	\$ 199,877	\$ 425,954	\$ 245,874	\$ 975,431	\$ 3,845,108	\$ 17	\$ 40,051	\$ 5,760,658

HIGHLAND CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2024

	Special Revenue					Capital Projects			Town Center	Total
	Debt Service	Open Space	Cemetery	Library	RAP/Zoo/Arts	Building Department	Building Capital Project	Northwest Annexation	Capital Projects	Nonmajor Governmental Funds
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ 345,090	\$ 182,831	\$ -	\$ -	\$ -	\$ -	\$ 527,921
Licenses and permits	-	-	-	-	-	1,416,809	-	-	-	1,416,809
Charges for services	-	(1)	436,408	38,920	-	-	-	-	-	475,327
Fines and forfeitures	-	-	-	16,584	-	-	-	-	-	16,584
Exaction fees	-	-	-	-	-	-	-	-	16,389	16,389
Impact fees	-	-	-	-	-	-	176,158	-	-	176,158
Contributions from other governments	-	-	-	9,452	-	-	-	-	-	9,452
Interest income	-	26,471	5,146	4,188	13,606	72,683	65,625	(457)	11,422	198,684
Total Revenues	-	26,470	441,554	414,234	196,437	1,489,492	241,783	(457)	27,811	2,837,324
Expenditures:										
Current:										
General government	-	-	-	418,351	-	818,712	-	-	-	1,237,063
Cemetery	-	-	295,654	-	-	-	-	-	-	295,654
Capital outlay	-	-	-	-	-	-	94,507	-	-	94,507
Debt service - principal	879,000	-	-	-	-	-	-	-	-	879,000
Debt service - interest and finance charges	67,732	-	-	-	-	-	1,500	-	-	69,232
Total Expenditures	946,732	-	295,654	418,351	-	818,712	96,007	-	-	2,575,456
Excess (deficiency) of revenues over (under) expenditures	(946,732)	26,470	145,900	(4,117)	196,437	670,780	145,776	(457)	27,811	261,868
Other Financing Sources:										
Transfers in	959,000	-	-	-	(170,000)	-	2,560,000	-	-	3,349,000
Transfers out	(841,000)	(470,000)	-	-	-	-	(60,000)	-	(300,000)	(1,671,000)
Total Other Financing Sources	118,000	(470,000)	-	-	(170,000)	-	2,500,000	-	(300,000)	1,678,000
Net Change in Fund Balances	(828,732)	(443,530)	145,900	(4,117)	26,437	670,780	2,645,776	(457)	(272,189)	1,939,868
Fund Balances, Beginning	841,447	449,846	29,021	111,971	219,437	276,349	1,182,038	474	278,383	3,388,966
Fund Balances, Ending	\$ 12,715	\$ 6,316	\$ 174,921	\$ 107,854	\$ 245,874	\$ 947,129	\$ 3,827,814	\$ 17	\$ 6,194	\$ 5,328,834

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



CERTIFIED PUBLIC
ACCOUNTANTS

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

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

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, 2024. 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, 2024.

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
March 4, 2025

HIGHLAND CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2024

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 Funds	21.027	231380	-	1,479,160
Coronavirus State and Local Fiscal Recovery Funds	21.027	230630580	-	767,575
Total USDOT			-	2,246,735
<i>US Department of the Interior (USDOI)</i>				
WaterSMART	15.507	R22AP00525-00	-	889,448
Total USDOI			-	889,448
Total Expenditures of Federal Awards			\$ -	\$ 3,136,183

HIGHLAND CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2024

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, 2024. 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, 2024

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 major federal programs: | |
| 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

- | | |
|---|-----------|
| 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

2024-001: 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:

- Intergovernmental receivables
- Accounts payable
- Capital Assets
- Intergovernmental revenues
- Transfers

Recommendation: Although significant improvements have been made from the prior year, we recommend the City staff to continue to improve their efforts to prepare reconciliations for all significant accounts in preparation of closing out the fiscal year. 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. A corrective action plan is included on the following page.

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 2024-001

Finding:

2024-001 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. While improvement was made from the prior year, the City agrees that there is still further improvement that needs to be made to the year-end financial close process.

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. Staff will take steps to minimize the number of needed adjustments during the audit and work to eliminate the need for any material adjustments. Part of this effort will involve more thorough review of capital asset construction in progress transactions, invoices that are received late after year-end, and contracts that create a receivable or liability on the City's financial statements.

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***



**CERTIFIED PUBLIC
ACCOUNTANTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2025.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2024-001 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
March 4, 2025

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



**CERTIFIED PUBLIC
ACCOUNTANTS**

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

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

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, 2024.

State compliance requirements were tested for the year ended June 30, 2024, in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Related Restricted Revenues
- Fraud Risk Assessment
- Governmental Fees
- Enterprise Fund Transfers
- Tax Levy Revenue Recognition

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, 2024.

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 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 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.

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, as defined below. 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
March 4, 2025

HIGHLAND CITY

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)

Government Auditing Standards

2023-001: 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.