

**FRUIT HEIGHTS CITY  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS  
YEAR ENDED JUNE 30, 2019**

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Independent Auditor's Report

To the Mayor and City Council  
Fruit Heights City, Utah

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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 Fruit Heights City, as of June 30, 2019 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 - 9 and 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Christensen, Palmer + Ambrose P.C.*

December 30, 2019  
Ogden, UT

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

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**INTRODUCTION**

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2019.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Position, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Position shows the overall net position of the City. Increases and decreases in net position are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Fruit Heights City's business type activities are sewer, water, solid waste and storm water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fruit Heights City has two governmental funds. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fruit Heights City has four Proprietary Funds. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Fruit Heights City has four Enterprise Funds, the water fund, the sewer fund, the solid waste fund and the storm water fund. An internal service fund is presented in a separate column in the Proprietary Fund financial statements. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

|                                  | Governmental Activities |                 | Business-type Activities |                 | Total           |                 |
|----------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
|                                  | June 30<br>2019         | June 30<br>2018 | June 30<br>2019          | June 30<br>2018 | June 30<br>2019 | June 30<br>2018 |
| Cash                             | \$ 2,352,641            | \$ 2,204,885    | \$ 4,527,837             | \$ 4,120,192    | \$ 6,880,478    | \$ 6,325,076    |
| Other assets                     | 1,156,809               | 1,065,467       | 321,157                  | 312,907         | 1,477,966       | 1,378,374       |
| Capital assets                   | 10,195,876              | 9,482,678       | 8,213,149                | 7,980,866       | 18,409,025      | 17,463,544      |
| Total assets                     | 13,705,326              | 12,753,030      | 13,062,143               | 12,413,965      | 26,767,469      | 25,166,994      |
| Deferred outflows of resources   | 110,454                 | 112,045         | 46,969                   | 47,724          | 157,423         | 159,769         |
|                                  | 13,815,780              | 12,865,075      | 13,109,112               | 12,461,689      | 26,924,892      | 25,326,763      |
| Long-term liabilities            | 230,164                 | 148,432         | 93,976                   | 54,105          | 324,140         | 202,537         |
| Other liabilities                | 448,298                 | 192,213         | 281,300                  | 249,547         | 729,598         | 441,760         |
| Total liabilities                | 678,462                 | 340,645         | 375,276                  | 303,652         | 1,053,738       | 644,297         |
| Deferred inflows of resources    | 1,047,692               | 1,168,137       | 521                      | 36,277          | 1,048,213       | 1,204,414       |
| Net position:                    |                         |                 |                          |                 |                 |                 |
| Net investment in capital assets | 10,195,876              | 9,482,678       | 8,213,149                | 7,980,866       | 18,409,025      | 17,463,544      |
| Restricted                       | 28,770                  | 440,547         | 640,884                  | 763,172         | 669,654         | 1,203,719       |
| Unrestricted                     | 1,864,980               | 1,433,068       | 3,879,282                | 3,377,722       | 5,744,262       | 4,810,789       |
| Total net position               | \$ 12,089,626           | \$ 11,356,293   | \$ 12,733,315            | \$ 12,121,760   | \$ 24,822,941   | \$ 23,478,052   |

**Analysis of Financial Position:**

**Governmental Activities:**

The governmental activities have seen an increase to cash (restricted and unrestricted) of \$147,756. The City has invested its cash into capital assets and net capital assets has increased by \$713,198. Total assets including receivables, prepaids, and amounts due from other governments has increased by \$952,296.

Total liabilities for the governmental activities increased \$337,817, mostly due to 2019 construction on Nicholls Park and the purchase of two vehicles.

The total net position increased by \$733,333 of which \$713,198 was from the net investment in capital assets, while restricted amounts decreased by \$411,777, and unrestricted increased by \$431,912. Overall the governmental activities net position has improved from the prior year.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

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**Analysis of Financial Position (continued):**

**Business-Type Activities:**

The business-type activities have seen an increase to cash (restricted and unrestricted) of \$407,645. The City's new purchases, acquisitions, construction of capital assets, and contributed capital has exceeded depreciation expense by \$232,283. Total assets including receivables and prepaid expenses have increased by \$648,174.

Total liabilities for the business-type activities increased from the prior year by \$39,871, due to timing in various bill payments.

The total net position increased by \$611,555 of which \$232,283 was from the net investment in capital assets, the restricted amounts decreased by \$122,288, and the unrestricted net position increased by \$501,560. Overall the business-type activities net position has improved from the prior year.

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**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

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**Governmental Activities and Business Type Activities**

|                           | Governmental Activities |                 | Business-type Activities |                 | Total           |                 |
|---------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
|                           | June 30<br>2019         | June 30<br>2018 | June 30<br>2019          | June 30<br>2018 | June 30<br>2019 | June 30<br>2018 |
| Revenues:                 |                         |                 |                          |                 |                 |                 |
| Program revenues:         |                         |                 |                          |                 |                 |                 |
| Charges for services      | \$ 242,386              | \$ 352,596      | \$ 2,143,124             | \$ 2,078,505    | \$ 2,385,510    | \$ 2,431,101    |
| Grants and contributions: |                         |                 |                          |                 |                 |                 |
| Operating                 | 367,242                 | 282,817         | -                        | -               | 367,242         | 282,817         |
| Capital                   | 99,546                  | 6,690           | 146,402                  | 37,451          | 245,948         | 44,141          |
| General revenues:         |                         |                 |                          |                 |                 |                 |
| Property taxes            | 875,079                 | 853,295         | -                        | -               | 875,079         | 853,295         |
| Sales taxes               | 928,825                 | 720,842         | -                        | -               | 928,825         | 720,842         |
| Other taxes               | 176,635                 | 178,368         | -                        | -               | 176,635         | 178,368         |
| Other                     | 172,883                 | 71,405          | 115,524                  | 66,875          | 288,407         | 138,280         |
| Total revenues            | 2,862,596               | 2,466,013       | 2,405,050                | 2,182,831       | 5,267,646       | 4,648,844       |
| Expenses:                 |                         |                 |                          |                 |                 |                 |
| General government        | 723,125                 | 772,553         | -                        | -               | 723,125         | 772,553         |
| Public safety             | 536,111                 | 527,788         | -                        | -               | 536,111         | 527,788         |
| Public works              | 683,814                 | 344,004         | -                        | -               | 683,814         | 344,004         |
| Parks and recreation      | 186,213                 | 140,024         | -                        | -               | 186,213         | 140,024         |
| Water                     | -                       | -               | 703,320                  | 661,357         | 703,320         | 661,357         |
| Sewer                     | -                       | -               | 474,727                  | 467,364         | 474,727         | 467,364         |
| Solid waste               | -                       | -               | 348,182                  | 335,006         | 348,182         | 335,006         |
| Storm sewer               | -                       | -               | 267,266                  | 328,917         | 267,266         | 328,917         |
| Total expenses            | 2,129,263               | 1,784,369       | 1,793,495                | 1,792,644       | 3,922,758       | 3,577,012       |
| Transfers in (out)        | -                       | -               | -                        | -               | -               | -               |
| Change in net position    | 733,333                 | 681,645         | 611,555                  | 390,188         | 1,344,888       | 1,071,832       |
| Net position-beginning    | 11,356,293              | 10,674,648      | 12,121,760               | 11,731,572      | 23,478,053      | 22,406,220      |
| Net position-ending       | \$ 12,089,626           | \$ 11,356,293   | \$ 12,733,315            | \$ 12,121,760   | \$ 24,822,941   | \$ 23,478,052   |

**Governmental Activities**

The net change in position for the governmental activities was \$733,333 which is more than the change in net position from 2018 by \$51,689. The reasons for the change are due to a revenue increase of \$396,583 and an expenditure increase of \$344,894.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

Business-Type Activities

The business-type activities increased net position by \$611,555, which is more than the results of operations in 2018 by \$221,367. The reason for the increase is an increase to revenues of \$222,219 and an increase in expenses of \$852.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The table below illustrates the fund balances in each fund, separated into the fund balance types with a two year comparison:

| Fund:                        | Fund Balance/Net Position |                  | Change           |
|------------------------------|---------------------------|------------------|------------------|
|                              | 2019                      | 2018             |                  |
| General                      |                           |                  |                  |
| Nonspendable                 | \$ 5,908                  | \$ 2,953         | \$ 2,955         |
| Class C Roads                | 28,770                    | 255,815          | (227,045)        |
| Transportation tax           | -                         | -                | -                |
| Unassigned                   | 332,325                   | 329,377          | 2,948            |
|                              | <u>367,003</u>            | <u>588,145</u>   | <u>(221,142)</u> |
| Capital Projects             |                           |                  |                  |
| Impact Fees                  | -                         | 172,232          | (172,232)        |
| Transportation fees          | -                         | -                | -                |
| Trail Improvements           | -                         | 12,500           | (12,500)         |
| Assigned                     | 1,546,715                 | 1,041,709        | 505,006          |
|                              | <u>1,546,715</u>          | <u>1,226,441</u> | <u>320,274</u>   |
| Water                        |                           |                  |                  |
| Investment in Capital Assets | 5,415,041                 | 5,320,914        | 94,127           |
| Special Assessment           | 198,164                   | 204,303          | (6,139)          |
| Impact Fees                  | 442,720                   | 558,869          | (116,149)        |
| Unrestricted                 | 2,612,840                 | 2,190,030        | 422,810          |
|                              | <u>8,668,765</u>          | <u>8,274,116</u> | <u>394,649</u>   |
| Sewer Unrestricted           | <u>343,490</u>            | <u>324,517</u>   | <u>18,973</u>    |
| Solid Waste Unrestricted     | <u>430,522</u>            | <u>428,309</u>   | <u>2,213</u>     |
| Storm Water                  |                           |                  |                  |
| Investment in Capital Assets | 2,798,108                 | 2,659,952        | 138,156          |
| Impact Fees                  | -                         | -                | -                |
| Unrestricted                 | 323,796                   | 289,118          | 34,678           |
|                              | <u>3,121,904</u>          | <u>2,949,070</u> | <u>172,834</u>   |
| Internal Service             | <u>809,065</u>            | <u>763,293</u>   | <u>45,772</u>    |

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

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**General Fund Budgets**

Fruit Heights City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Significant variations between original and final budget amounts include the following:

- Budgeted revenues for sales tax increased \$180,507.
- Total budgeted expenses before transfers increased \$95,632
- Budgeted transfers out increased by \$563,428

Actual General Fund revenues were \$134,863 below the final budget and \$45,644 above the original budget.

Actual General Fund expenses before transfers were \$289,738 below the final budget and \$194,106 below the original budget.

Major differences between budgeted amounts and actual amounts include the following:

- Class C Road revenues were \$294,683 less than budgeted.
- Roadway expenditures were \$104,965 less than budgeted.
- Law enforcement expenditures were \$97,964 less than budgeted.

**Capital Assets**

Fruit Heights City added \$1,154,713 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: construction in progress of Nicholls Park \$593,161, vehicles of \$313,879, infrastructure of \$172,687, improvements of \$65,582, machinery and equipment of \$9,404, and \$1,267,635 of construction in progress was completed and transferred to infrastructure.

Fruit Heights City added \$447,216 in new business-type activity capital assets during the fiscal year. The following assets were acquired or constructed in the storm water fund: \$199,837 for completion of storm improvements, and \$177,196 construction in progress was completed and transferred to improvements. The following assets were acquired or constructed in the water fund: \$247,379 for completion of water improvements.

For more detail on capital assets please see the notes to the financial statements.

**Long-Term Debt**

Other long-term liabilities on the financial statements are related to employee compensation such as accrued vacation leave and pension liabilities.

**FRUIT HEIGHTS CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2019**

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**ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Fruit Heights City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Fruit Heights City, 910 South Mountain Road, Fruit Heights City, Utah 84037.

## **BASIC FINANCIAL STATEMENTS**

**FRUIT HEIGHTS CITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

|                                                | Primary Government         |                             |               |
|------------------------------------------------|----------------------------|-----------------------------|---------------|
|                                                | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>                                  |                            |                             |               |
| Cash and cash equivalents                      | \$ 2,323,871               | \$ 3,886,953                | \$ 6,210,824  |
| Restricted cash                                | 28,770                     | 640,884                     | 669,654       |
| Accounts receivable                            | 30,291                     | 193,788                     | 224,079       |
| Special assessments receivable                 | -                          | 14,024                      | 14,024        |
| Due from other governmental units              | 65,582                     | -                           | 65,582        |
| Due from other governmental units - restricted | 1,055,028                  | -                           | 1,055,028     |
| Prepaid expenses                               | 5,908                      | 113,345                     | 119,253       |
| Net pension asset                              | -                          | -                           | -             |
| Capital assets                                 |                            |                             |               |
| Land                                           | 1,135,873                  | 98,783                      | 1,234,656     |
| Construction in progress                       | 593,161                    | -                           | 593,161       |
| Water rights                                   | 988                        | 16,115                      | 17,103        |
| Buildings                                      | 1,238,312                  | -                           | 1,238,312     |
| Infrastructure and Improvements                | 8,828,722                  | 10,973,089                  | 19,801,811    |
| Machinery and equipment                        | 1,446,260                  | 113,375                     | 1,559,635     |
| Less: accumulated depreciation                 | (3,047,440)                | (2,988,213)                 | (6,035,653)   |
| Total capital assets, net                      | 10,195,876                 | 8,213,149                   | 18,409,025    |
| <b>TOTAL ASSETS</b>                            | 13,705,326                 | 13,062,143                  | 26,767,469    |
| Deferred outflows of resources - pensions      | 110,454                    | 46,969                      | 157,423       |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>      | 13,815,780                 | 13,109,112                  | 26,924,892    |
| <b>LIABILITIES</b>                             |                            |                             |               |
| Accounts payable                               | 371,592                    | 96,270                      | 467,862       |
| Accrued expenses                               | 8,491                      | 9,433                       | 17,924        |
| Deposits                                       | 1,000                      | 175,597                     | 176,597       |
| Subdivider guarantee deposits                  | 67,215                     | -                           | 67,215        |
| Non-current liabilities:                       |                            |                             |               |
| Due within one year                            | -                          | -                           | -             |
| Due in more than one year                      | 230,164                    | 93,976                      | 324,140       |
| <b>TOTAL LIABILITIES</b>                       | 678,462                    | 375,276                     | 1,053,738     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                            |                             |               |
| Unavailable revenue - property taxes           | 1,040,763                  | -                           | 1,040,763     |
| Related to pensions                            | 6,929                      | 521                         | 7,450         |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>     | 1,047,692                  | 521                         | 1,048,213     |
| <b>NET POSITION</b>                            |                            |                             |               |
| Net investment in capital assets               | 10,195,876                 | 8,213,149                   | 18,409,025    |
| Restricted for:                                |                            |                             |               |
| Class "C" roads                                | 28,770                     | -                           | 28,770        |
| Parks impact fees                              | -                          | -                           | -             |
| Water impact fees                              | -                          | 442,720                     | 442,720       |
| Special assessment                             | -                          | 198,164                     | 198,164       |
| Trail Improvements                             | -                          | -                           | -             |
| Unrestricted                                   | 1,864,980                  | 3,879,282                   | 5,744,262     |
| <b>TOTAL NET POSITION</b>                      | \$ 12,089,626              | \$ 12,733,315               | \$ 24,822,941 |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| FUNCTIONS/PROGRAMS                   | Net (Expense) Revenue and Changes in Net Position |                      |                                    |                                  |                         |                          |                      |
|--------------------------------------|---------------------------------------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|----------------------|
|                                      | Program Revenues                                  |                      |                                    |                                  | Primary Government      |                          |                      |
|                                      | Expenses                                          | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total                |
| <b>PRIMARY GOVERNMENT:</b>           |                                                   |                      |                                    |                                  |                         |                          |                      |
| Governmental activities:             |                                                   |                      |                                    |                                  |                         |                          |                      |
| General government                   | \$ 723,125                                        | \$ 95,761            | \$ -                               | \$ -                             | \$ (627,364)            | \$ -                     | \$ (627,364)         |
| Public safety                        | 536,111                                           | -                    | -                                  | -                                | (536,111)               | -                        | (536,111)            |
| Highways and public improvements     | 683,814                                           | 143,893              | 301,660                            | 85,051                           | (153,210)               | -                        | (153,210)            |
| Parks and recreation                 | 186,213                                           | 2,732                | 65,582                             | 14,495                           | (103,404)               | -                        | (103,404)            |
| Total governmental activities        | <u>2,129,263</u>                                  | <u>242,386</u>       | <u>367,242</u>                     | <u>99,546</u>                    | <u>(1,420,089)</u>      | <u>-</u>                 | <u>(1,420,089)</u>   |
| Business-type activities:            |                                                   |                      |                                    |                                  |                         |                          |                      |
| Water                                | 703,320                                           | 940,903              | -                                  | 111,089                          | -                       | 348,672                  | 348,672              |
| Sewer                                | 474,727                                           | 485,729              | -                                  | -                                | -                       | 11,002                   | 11,002               |
| Solid waste                          | 348,182                                           | 338,567              | -                                  | -                                | -                       | (9,615)                  | (9,615)              |
| Storm water                          | 267,266                                           | 377,925              | -                                  | 35,313                           | -                       | 145,972                  | 145,972              |
| Total business-type activities       | <u>1,793,495</u>                                  | <u>2,143,124</u>     | <u>-</u>                           | <u>146,402</u>                   | <u>-</u>                | <u>496,031</u>           | <u>496,031</u>       |
| Total primary government             | <u>\$ 3,922,758</u>                               | <u>\$2,385,510</u>   | <u>\$ 367,242</u>                  | <u>\$ 245,948</u>                | <u>(1,420,089)</u>      | <u>496,031</u>           | <u>(924,058)</u>     |
| General revenues:                    |                                                   |                      |                                    |                                  |                         |                          |                      |
| Property taxes                       |                                                   |                      |                                    |                                  | 875,079                 | -                        | 875,079              |
| Sales taxes                          |                                                   |                      |                                    |                                  | 928,825                 | -                        | 928,825              |
| Fees-in-lieu of taxes                |                                                   |                      |                                    |                                  | 59,029                  | -                        | 59,029               |
| Franchise tax                        |                                                   |                      |                                    |                                  | 117,606                 | -                        | 117,606              |
| Miscellaneous                        |                                                   |                      |                                    |                                  | 172,883                 | 115,524                  | 288,407              |
| Transfers in (out)                   |                                                   |                      |                                    |                                  | -                       | -                        | -                    |
| Total general revenues and transfers |                                                   |                      |                                    |                                  | <u>2,153,422</u>        | <u>115,524</u>           | <u>2,268,946</u>     |
| Change in net position               |                                                   |                      |                                    |                                  | 733,333                 | 611,555                  | 1,344,888            |
| Net position - beginning             |                                                   |                      |                                    |                                  | <u>11,356,293</u>       | <u>12,121,760</u>        | <u>23,478,053</u>    |
| Net position - ending                |                                                   |                      |                                    |                                  | <u>\$ 12,089,626</u>    | <u>\$ 12,733,315</u>     | <u>\$ 24,822,941</u> |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

|                                                       | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-------------------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                         |                         |                                      |                                         |
| Cash and cash equivalents                             | \$ 343,700              | \$ 1,757,436                         | \$ 2,101,136                            |
| Accounts receivable                                   | 13,040                  | 17,251                               | 30,291                                  |
| Due from other governmental units                     | 65,582                  | -                                    | 65,582                                  |
| Prepaid expenses                                      | 5,908                   | -                                    | 5,908                                   |
| Restricted assets:                                    |                         |                                      |                                         |
| Restricted cash                                       | 28,770                  | -                                    | 28,770                                  |
| Due from other governmental units                     | 1,055,028               | -                                    | 1,055,028                               |
| Total assets                                          | <u>\$ 1,512,028</u>     | <u>\$ 1,774,687</u>                  | <u>\$ 3,286,715</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                         |                                      |                                         |
| Liabilities:                                          |                         |                                      |                                         |
| Accounts payable                                      | \$ 27,556               | \$ 227,972                           | \$ 255,528                              |
| Accrued expenses                                      | 8,491                   | -                                    | 8,491                                   |
| Customer deposits                                     | 1,000                   | -                                    | 1,000                                   |
| Subdivision guarantee deposits                        | 67,215                  | -                                    | 67,215                                  |
| Total liabilities                                     | <u>104,262</u>          | <u>227,972</u>                       | <u>332,234</u>                          |
| Deferred inflows of resources                         |                         |                                      |                                         |
| Unavailable revenue - property taxes                  | <u>1,040,763</u>        | <u>-</u>                             | <u>1,040,763</u>                        |
| Fund balances:                                        |                         |                                      |                                         |
| Nonspendable - prepaid expenses                       | 5,908                   | -                                    | 5,908                                   |
| Restricted for:                                       |                         |                                      |                                         |
| Class "C" Roads                                       | 28,770                  | -                                    | 28,770                                  |
| Park impact fees                                      | -                       | -                                    | -                                       |
| Trail Improvements                                    | -                       | -                                    | -                                       |
| Assigned to:                                          |                         |                                      |                                         |
| Capital projects fund                                 | -                       | 1,546,715                            | 1,546,715                               |
| Unassigned                                            | <u>332,325</u>          | <u>-</u>                             | <u>332,325</u>                          |
| Total fund balances                                   | <u>367,003</u>          | <u>1,546,715</u>                     | <u>1,913,718</u>                        |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,512,028</u>     | <u>\$ 1,774,687</u>                  | <u>\$ 3,286,715</u>                     |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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|                                                                                                                                                                                                                                                                        |                    |                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|
| Total fund balances - governmental funds:                                                                                                                                                                                                                              |                    | \$ 1,913,718                |
| Amounts reported for governmental activities in the Statement of<br>Net Position are different because:                                                                                                                                                                |                    |                             |
| Capital assets used in governmental activities are not<br>financial resources and, therefore, are not reported<br>in the funds.                                                                                                                                        |                    |                             |
| Land                                                                                                                                                                                                                                                                   | \$ 1,135,873       |                             |
| Construction in progress                                                                                                                                                                                                                                               | 593,161            |                             |
| Water rights                                                                                                                                                                                                                                                           | 988                |                             |
| Buildings                                                                                                                                                                                                                                                              | 1,238,312          |                             |
| Improvements                                                                                                                                                                                                                                                           | 8,828,722          |                             |
| Machinery and equipment                                                                                                                                                                                                                                                | 140,230            |                             |
| Accumulated depreciation                                                                                                                                                                                                                                               | <u>(2,275,167)</u> |                             |
|                                                                                                                                                                                                                                                                        |                    | 9,662,119                   |
| Internal service funds are used by management to charge the<br>costs of the vehicle and equipment fund to individual funds.<br>The assets and liabilities of the Internal Service Fund are<br>included in governmental activities in the Statement of<br>Net Position. |                    |                             |
|                                                                                                                                                                                                                                                                        |                    | 640,428                     |
| Deferred inflows of resources, a use of net position that applies to<br>future periods, is not shown in the fund statements.                                                                                                                                           |                    |                             |
|                                                                                                                                                                                                                                                                        |                    | (6,929)                     |
| Deferred outflows of resources, a consumption of net position that<br>applies to future periods, is not shown in the fund statements.                                                                                                                                  |                    |                             |
|                                                                                                                                                                                                                                                                        |                    | 110,454                     |
| Long-term liabilities, including compensated absences are not<br>due and payable in the current period and therefore are not<br>reported in the governmental funds, but they are reported<br>in the Statement of Net Position.                                         |                    |                             |
| Net pension liability                                                                                                                                                                                                                                                  |                    | (210,119)                   |
| Compensated absences                                                                                                                                                                                                                                                   |                    | <u>(20,045)</u>             |
| Net position of governmental activities                                                                                                                                                                                                                                |                    | <u><u>\$ 12,089,626</u></u> |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                   | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                   |                         |                                      |                                         |
| Taxes                                             |                         |                                      |                                         |
| Property taxes                                    | \$ 875,079              | -                                    | \$ 875,079                              |
| Sales taxes                                       | 752,828                 | 175,997                              | 928,825                                 |
| Fees-in-lieu of taxes                             | 59,029                  | -                                    | 59,029                                  |
| Franchise tax                                     | 117,606                 | -                                    | 117,606                                 |
| Licenses and permits                              | 75,052                  | -                                    | 75,052                                  |
| Intergovernmental                                 | 367,242                 | -                                    | 367,242                                 |
| Charges for services                              | 167,334                 | -                                    | 167,334                                 |
| Fines and forfeitures                             | -                       | -                                    | -                                       |
| Impact fees                                       | -                       | 14,495                               | 14,495                                  |
| Miscellaneous revenue                             | 42,840                  | 130,043                              | 172,883                                 |
| Total revenues                                    | <u>2,457,010</u>        | <u>320,535</u>                       | <u>2,777,545</u>                        |
| <b>EXPENDITURES</b>                               |                         |                                      |                                         |
| Current:                                          |                         |                                      |                                         |
| General government                                | 706,315                 | -                                    | 706,315                                 |
| Public safety                                     | 385,604                 | -                                    | 385,604                                 |
| Highways and public improvements                  | 682,088                 | -                                    | 682,088                                 |
| Parks and recreation                              | 115,753                 | 32,869                               | 148,622                                 |
| Capital outlay:                                   |                         |                                      |                                         |
| General government                                | 9,404                   | -                                    | 9,404                                   |
| Highways and public improvements                  | 87,636                  | -                                    | 87,636                                  |
| Parks and recreation                              | 41,352                  | 617,392                              | 658,744                                 |
| Total expenditures                                | <u>2,028,152</u>        | <u>650,261</u>                       | <u>2,678,413</u>                        |
| Excess (deficiency) of revenues over expenditures | <u>428,858</u>          | <u>(329,726)</u>                     | <u>99,132</u>                           |
| Other financing sources (uses)                    |                         |                                      |                                         |
| Transfers in                                      | -                       | 650,000                              | 650,000                                 |
| Transfers (out)                                   | (650,000)               | -                                    | (650,000)                               |
| Total other financing sources (uses)              | <u>(650,000)</u>        | <u>650,000</u>                       | <u>-</u>                                |
| Net change in fund balances                       | (221,142)               | 320,274                              | 99,132                                  |
| Fund balances - beginning of year                 | 588,145                 | 1,226,441                            | 1,814,586                               |
| Fund balances - end of year                       | <u>\$ 367,003</u>       | <u>\$ 1,546,715</u>                  | <u>\$ 1,913,718</u>                     |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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

|                                                         |    |        |
|---------------------------------------------------------|----|--------|
| Net changes in fund balances - total governmental funds | \$ | 99,132 |
|---------------------------------------------------------|----|--------|

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|                          |    |           |         |
|--------------------------|----|-----------|---------|
| Construction in progress | \$ | 593,161   |         |
| Infrastructure           |    | 87,636    |         |
| Park improvements        |    | 65,582    |         |
| Buildings                |    | -         |         |
| Machinery and equipment  |    | 9,404     |         |
| Depreciation expense     |    | (221,560) | 534,223 |

Internal service funds are used by management to charge the costs of the vehicle and equipment fund to individual funds.

|                                                                                                           |        |
|-----------------------------------------------------------------------------------------------------------|--------|
| The net loss of certain activities of the Internal Service Fund is reported with governmental activities. | 22,886 |
|-----------------------------------------------------------------------------------------------------------|--------|

Some revenues only represent long-term economic resources and are, therefore reported in the government-wide statements but, not in the fund financial statements.

|                                                 |        |
|-------------------------------------------------|--------|
| The amount of contributed capital is as follows | 85,051 |
|-------------------------------------------------|--------|

The Statement of Activities includes the net pension benefit (expense)

|                                                                                       |          |
|---------------------------------------------------------------------------------------|----------|
| from the adoption of GASB 68, which is not included in the fund financial statements. | (10,266) |
|---------------------------------------------------------------------------------------|----------|

Some governmental fund expenditures reflect payments related to prior periods. Such amounts should not be included in the government-wide Statement of Activities as they related to prior periods.

|  |       |
|--|-------|
|  | 2,307 |
|--|-------|

|                                                   |    |         |
|---------------------------------------------------|----|---------|
| Change in net position of governmental activities | \$ | 733,333 |
|---------------------------------------------------|----|---------|

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

|                                                                                   | <b>Business-Type Activities - Enterprise Funds</b> |                     |                               |                               |                     | <b>Governmental-<br/>Activities<br/>Internal<br/>Service Fund</b> |
|-----------------------------------------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------|-------------------------------|---------------------|-------------------------------------------------------------------|
| <b><u>ASSETS</u></b>                                                              | <b><u>Water</u></b>                                | <b><u>Sewer</u></b> | <b><u>Solid<br/>Waste</u></b> | <b><u>Storm<br/>Water</u></b> | <b><u>Total</u></b> |                                                                   |
| Current assets:                                                                   |                                                    |                     |                               |                               |                     |                                                                   |
| Cash and cash equivalents                                                         | \$ 2,452,494                                       | \$ 334,884          | \$ 430,394                    | \$ 500,547                    | \$ 3,718,319        | \$ 391,369                                                        |
| Accounts receivable                                                               | 77,867                                             | 45,856              | 31,240                        | 38,825                        | 193,788             | -                                                                 |
| Special assessments receivable                                                    | 14,024                                             | -                   | -                             | -                             | 14,024              | -                                                                 |
| Prepaid water                                                                     | 113,345                                            | -                   | -                             | -                             | 113,345             | -                                                                 |
| Total current assets                                                              | 2,657,730                                          | 380,740             | 461,634                       | 539,372                       | 4,039,476           | 391,369                                                           |
| Noncurrent assets:                                                                |                                                    |                     |                               |                               |                     |                                                                   |
| Restricted cash and cash equivalents                                              | 640,884                                            | -                   | -                             | -                             | 640,884             | -                                                                 |
| Net pension asset                                                                 | -                                                  | -                   | -                             | -                             | -                   | -                                                                 |
| Land                                                                              | 98,783                                             | -                   | -                             | -                             | 98,783              | -                                                                 |
| Construction in progress                                                          | -                                                  | -                   | -                             | -                             | -                   | -                                                                 |
| Water rights                                                                      | 16,115                                             | -                   | -                             | -                             | 16,115              | -                                                                 |
| Improvements                                                                      | 7,606,492                                          | -                   | -                             | 3,366,597                     | 10,973,089          | -                                                                 |
| Machinery and equipment                                                           | 113,375                                            | -                   | -                             | -                             | 113,375             | 1,306,030                                                         |
| Less: Accumulated depreciation                                                    | (2,419,724)                                        | -                   | -                             | (568,489)                     | (2,988,213)         | (772,273)                                                         |
| Total noncurrent assets                                                           | 6,055,925                                          | -                   | -                             | 2,798,108                     | 8,854,033           | 533,757                                                           |
| Total assets                                                                      | 8,713,655                                          | 380,740             | 461,634                       | 3,337,480                     | 12,893,509          | 925,126                                                           |
| Deferred outflows of resources - pensions                                         | 28,415                                             | -                   | -                             | 18,554                        | 46,969              | -                                                                 |
| Total assets and deferred outflows of resources                                   | 8,742,070                                          | 380,740             | 461,634                       | 3,356,034                     | 12,940,478          | 925,126                                                           |
| <b><u>LIABILITIES</u></b>                                                         |                                                    |                     |                               |                               |                     |                                                                   |
| Current liabilities:                                                              |                                                    |                     |                               |                               |                     |                                                                   |
| Accounts payable                                                                  | 9,766                                              | 37,250              | 31,112                        | 18,142                        | 96,270              | 116,061                                                           |
| Compensated absences                                                              | 6,190                                              | -                   | -                             | 3,243                         | 9,433               | -                                                                 |
| Deposits                                                                          | 100                                                | -                   | -                             | 175,497                       | 175,597             | -                                                                 |
| Total current liabilities                                                         | 16,056                                             | 37,250              | 31,112                        | 196,882                       | 281,300             | 116,061                                                           |
| Noncurrent liabilities:                                                           |                                                    |                     |                               |                               |                     |                                                                   |
| Net pension liability                                                             | 59,193                                             | -                   | -                             | 34,783                        | 93,976              | -                                                                 |
| Total liabilities                                                                 | 75,249                                             | 37,250              | 31,112                        | 231,665                       | 375,276             | 116,061                                                           |
| Deferred inflows of resources - pensions                                          | (1,944)                                            | -                   | -                             | 2,465                         | 521                 | -                                                                 |
| Total liabilities and deferred inflows of resources                               | 73,305                                             | 37,250              | 31,112                        | 234,130                       | 375,797             | 116,061                                                           |
| <b><u>NET POSITION</u></b>                                                        |                                                    |                     |                               |                               |                     |                                                                   |
| Net investment in capital assets                                                  | 5,415,041                                          | -                   | -                             | 2,798,108                     | 8,213,149           | 533,757                                                           |
| Restricted - Special assessment                                                   | 198,164                                            | -                   | -                             | -                             | 198,164             | -                                                                 |
| Restricted - Impact fees                                                          | 442,720                                            | -                   | -                             | -                             | 442,720             | -                                                                 |
| Unrestricted                                                                      | 2,612,840                                          | 343,490             | 430,522                       | 323,796                       | 3,710,648           | 275,308                                                           |
| Total net position                                                                | \$ 8,668,765                                       | \$ 343,490          | \$ 430,522                    | \$ 3,121,904                  | 12,564,681          | \$ 809,065                                                        |
| Adjustment for consolidation of Internal Service Fund related to Enterprise Funds |                                                    |                     |                               |                               | 168,634             |                                                                   |
| Net position of business-type activities                                          |                                                    |                     |                               |                               | \$ 12,733,315       |                                                                   |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                                                            | <b>Business-Type Activities - Enterprise Funds</b> |              |                        |                        |              | <b>Governmental-<br/>Type<br/>Activities<br/>Internal<br/>Service Fund</b> |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------------|--------------|------------------------|------------------------|--------------|----------------------------------------------------------------------------|
|                                                                                                            | <b>Water</b>                                       | <b>Sewer</b> | <b>Solid<br/>Waste</b> | <b>Storm<br/>Water</b> | <b>Total</b> |                                                                            |
| <b><u>OPERATING REVENUE</u></b>                                                                            |                                                    |              |                        |                        |              |                                                                            |
| Charges for service                                                                                        | \$ 916,357                                         | \$ 485,729   | \$ 338,567             | \$ 377,925             | \$ 2,118,578 | \$ 152,000                                                                 |
| Other                                                                                                      | 23,441                                             | -            | -                      | -                      | 23,441       | -                                                                          |
| Total operating revenue                                                                                    | 939,798                                            | 485,729      | 338,567                | 377,925                | 2,142,019    | 152,000                                                                    |
| <b><u>OPERATING EXPENSES</u></b>                                                                           |                                                    |              |                        |                        |              |                                                                            |
| Operation and maintenance                                                                                  | 86,887                                             | 7,868        | 7,084                  | 51,848                 | 153,687      | 55,464                                                                     |
| Sewage treatment                                                                                           | -                                                  | 446,675      | -                      | -                      | 446,675      | -                                                                          |
| Source of supply                                                                                           | 221,035                                            | -            | -                      | -                      | 221,035      | -                                                                          |
| Power and pumping                                                                                          | 18,429                                             | -            | -                      | -                      | 18,429       | 8,806                                                                      |
| Depreciation                                                                                               | 153,251                                            | -            | -                      | 61,681                 | 214,932      | 75,982                                                                     |
| Administrative expense                                                                                     | 30,684                                             | 20,184       | 20,184                 | 20,184                 | 91,236       | -                                                                          |
| Salaries                                                                                                   | 110,090                                            | -            | -                      | 55,458                 | 165,548      | -                                                                          |
| Employee benefits                                                                                          | 67,830                                             | -            | -                      | 40,095                 | 107,925      | -                                                                          |
| Waste collection                                                                                           | -                                                  | -            | 161,136                | -                      | 161,136      | -                                                                          |
| Waste disposal                                                                                             | -                                                  | -            | 159,778                | -                      | 159,778      | -                                                                          |
| Vehicle operation                                                                                          | 38,000                                             | -            | -                      | 38,000                 | 76,000       | -                                                                          |
| Total operating expenses                                                                                   | 726,206                                            | 474,727      | 348,182                | 267,266                | 1,816,381    | 140,252                                                                    |
| Operating income (loss)                                                                                    | 213,592                                            | 11,002       | (9,615)                | 110,659                | 325,638      | 11,748                                                                     |
| <b><u>NONOPERATING REVENUE<br/>(EXPENSES)</u></b>                                                          |                                                    |              |                        |                        |              |                                                                            |
| Connection fees                                                                                            | 1,105                                              | -            | -                      | -                      | 1,105        | -                                                                          |
| Impact fees                                                                                                | 59,257                                             | -            | -                      | 23,572                 | 82,829       | -                                                                          |
| Gain (loss) on sale of asset                                                                               | -                                                  | -            | -                      | -                      | -            | 27,025                                                                     |
| Interest revenue                                                                                           | 68,863                                             | 7,971        | 11,828                 | 26,862                 | 115,524      | 6,999                                                                      |
| Interest expense                                                                                           | -                                                  | -            | -                      | -                      | -            | -                                                                          |
| Total non operating revenue<br>and expenses                                                                | 129,225                                            | 7,971        | 11,828                 | 50,434                 | 199,458      | 34,024                                                                     |
| Income (loss) before contributions<br>and transfers                                                        | 342,817                                            | 18,973       | 2,213                  | 161,093                | 525,096      | 45,772                                                                     |
| Transfers                                                                                                  | -                                                  | -            | -                      | -                      | -            | -                                                                          |
| Contributed capital                                                                                        | 51,832                                             | -            | -                      | 11,741                 | 63,573       | -                                                                          |
| Changes in net position                                                                                    | 394,649                                            | 18,973       | 2,213                  | 172,834                | 588,669      | 45,772                                                                     |
| Net position - beginning                                                                                   | 8,274,116                                          | 324,517      | 428,309                | 2,949,070              |              | 763,293                                                                    |
| Net position - ending                                                                                      | \$ 8,668,765                                       | \$ 343,490   | \$ 430,522             | \$ 3,121,904           |              | \$ 809,065                                                                 |
| Adjustment to reflect the consolidation of Internal Service Fund activities related to<br>Enterprise Funds |                                                    |              |                        |                        | 22,886       |                                                                            |
| Change in net assets of business-type activities                                                           |                                                    |              |                        |                        | \$ 611,555   |                                                                            |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                      | <b>Business-Type Activities - Enterprise Funds</b> |                   |                    |                    |                     | <b>Governmental Activities</b> |
|----------------------------------------------------------------------|----------------------------------------------------|-------------------|--------------------|--------------------|---------------------|--------------------------------|
|                                                                      | <b>Water</b>                                       | <b>Sewer</b>      | <b>Solid Waste</b> | <b>Storm Water</b> | <b>Total</b>        | <b>Internal Service Fund</b>   |
| <b>Cash Flows From Operating Activities</b>                          |                                                    |                   |                    |                    |                     |                                |
| Receipts from customers                                              | \$ 938,776                                         | \$ 486,918        | \$ 339,740         | \$ 375,494         | \$ 2,140,928        | \$ -                           |
| Receipts from interfund services                                     | -                                                  | -                 | -                  | -                  | -                   | 152,000                        |
| Payments to employees                                                | (106,424)                                          | -                 | -                  | (54,399)           | (160,823)           | -                              |
| Payments to suppliers                                                | (393,341)                                          | (452,684)         | (322,951)          | (74,950)           | (1,243,926)         | 45,091                         |
| Payments for interfund services used                                 | (68,684)                                           | (20,184)          | (20,184)           | (58,184)           | (167,236)           | -                              |
| Net cash provided (used) by operating activities                     | 370,327                                            | 14,050            | (3,395)            | 187,961            | 568,943             | 197,091                        |
| <b>Cash Flows From Noncapital Financing Activities</b>               |                                                    |                   |                    |                    |                     |                                |
| Impact fee payback                                                   | -                                                  | -                 | -                  | -                  | -                   | -                              |
| Transfers                                                            | -                                                  | -                 | -                  | -                  | -                   | -                              |
| Net cash provided (used) by noncapital financing activities          | -                                                  | -                 | -                  | -                  | -                   | -                              |
| <b>Cash Flows From Capital and Related Financing Activities</b>      |                                                    |                   |                    |                    |                     |                                |
| Receipts for impact fees                                             | 59,257                                             | -                 | -                  | 23,572             | 82,829              | -                              |
| Receipts for connection fees                                         | 1,105                                              | -                 | -                  | -                  | 1,105               | -                              |
| Proceeds from sale of assets                                         | -                                                  | -                 | -                  | -                  | -                   | 7,759                          |
| Principal paid on capital debt                                       | -                                                  | -                 | -                  | -                  | -                   | -                              |
| Interest paid on capital debt                                        | -                                                  | -                 | -                  | -                  | -                   | -                              |
| Purchases of capital assets                                          | (195,546)                                          | -                 | -                  | (188,096)          | (383,642)           | (150,638)                      |
| Net cash provided (used) by capital and related financing activities | (135,184)                                          | -                 | -                  | (164,524)          | (299,708)           | (142,879)                      |
| <b>Cash Flows From Investing Activities</b>                          |                                                    |                   |                    |                    |                     |                                |
| Interest and dividends received                                      | 68,863                                             | 7,971             | 11,828             | 26,862             | 115,524             | 6,999                          |
| Net cash provided (used) by investing activities                     | 68,863                                             | 7,971             | 11,828             | 26,862             | 115,524             | 6,999                          |
| Net increase (decrease) in cash and cash equivalents                 | 304,006                                            | 22,021            | 8,433              | 50,299             | 384,759             | 61,211                         |
| Cash and cash equivalents, July 1                                    | 2,789,372                                          | 312,863           | 421,961            | 450,248            | 3,974,444           | 330,158                        |
| Cash and cash equivalents, June 30                                   | <u>\$ 3,093,378</u>                                | <u>\$ 334,884</u> | <u>\$ 430,394</u>  | <u>\$ 500,547</u>  | <u>\$ 4,359,203</u> | <u>\$ 391,369</u>              |
| <b>Cash at June 30th</b>                                             |                                                    |                   |                    |                    |                     |                                |
| Cash and cash equivalents                                            | \$ 2,452,494                                       | \$ 334,884        | \$ 430,394         | \$ 500,547         | \$ 3,718,319        | \$ 391,369                     |
| Restricted cash                                                      | 640,884                                            | -                 | -                  | -                  | 640,884             | -                              |
| Total cash and cash equivalents                                      | <u>\$ 3,093,378</u>                                | <u>\$ 334,884</u> | <u>\$ 430,394</u>  | <u>\$ 500,547</u>  | <u>\$ 4,359,203</u> | <u>\$ 391,369</u>              |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                                                        | <b>Business-Type Activities - Enterprise Funds</b> |                  |                        |                        |                   | <b>Governmental<br/>Type<br/>Activities<br/>Internal<br/>Service Fund</b> |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------|------------------|------------------------|------------------------|-------------------|---------------------------------------------------------------------------|
|                                                                                                        | <b>Water</b>                                       | <b>Sewer</b>     | <b>Solid<br/>Waste</b> | <b>Storm<br/>Water</b> | <b>Total</b>      |                                                                           |
| <b>Reconciliation of Operating Income<br/>to Net Cash Provided (Used) by<br/>Operating Activities:</b> |                                                    |                  |                        |                        |                   |                                                                           |
| Operating income (loss)                                                                                | \$ 213,592                                         | \$ 11,002        | \$ (9,615)             | \$ 110,659             | \$ 325,638        | \$ 11,748                                                                 |
| Adjustments to reconcile operating<br>income to net cash provided (used)<br>by operating activities:   |                                                    |                  |                        |                        |                   |                                                                           |
| Depreciation expense                                                                                   | 153,251                                            | -                | -                      | 61,681                 | 214,932           | 75,982                                                                    |
| (Increase) decrease in prepaids                                                                        | (5,655)                                            | -                | -                      | -                      | (5,655)           | -                                                                         |
| (Increase) decrease in receivables                                                                     | (1,022)                                            | 1,189            | 1,173                  | (3,931)                | (2,591)           | -                                                                         |
| Increase (decrease) in payables                                                                        | 6,495                                              | 1,859            | 5,047                  | 16,993                 | 30,394            | 109,361                                                                   |
| Increase (decrease) in compensated absences                                                            | 443                                                | -                | -                      | (589)                  | (146)             | -                                                                         |
| Increase (decrease) in pension liability                                                               | 3,223                                              | -                | -                      | 1,648                  | 4,871             | -                                                                         |
| Increase (decrease) in deposits                                                                        | -                                                  | -                | -                      | 1,500                  | 1,500             | -                                                                         |
| Total adjustments                                                                                      | 156,735                                            | 3,048            | 6,220                  | 77,302                 | 243,305           | 185,343                                                                   |
| Net cash provided (used) by operating<br>activities                                                    | <u>\$ 370,327</u>                                  | <u>\$ 14,050</u> | <u>\$ (3,395)</u>      | <u>\$ 187,961</u>      | <u>\$ 568,943</u> | <u>\$ 197,091</u>                                                         |
| <b>Noncash Investing, Capital and<br/>Financing Activities:</b>                                        |                                                    |                  |                        |                        |                   |                                                                           |
| Contribution of capital assets                                                                         | <u>\$ 51,832</u>                                   | <u>\$ -</u>      | <u>\$ -</u>            | <u>\$ 11,741</u>       | <u>\$ 63,573</u>  |                                                                           |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**BALANCE SHEET**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

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|                                      |                                                   |
|--------------------------------------|---------------------------------------------------|
|                                      | <b>Davis County<br/>Storm Water<br/>Coalition</b> |
| <b>ASSETS</b>                        |                                                   |
| Cash and cash equivalents            | \$ 99,917                                         |
| Due from other governmental units    | -                                                 |
| Total assets                         | <u>\$ 99,917</u>                                  |
| <b>LIABILITIES AND FUND BALANCES</b> |                                                   |
| Liabilities:                         |                                                   |
| Accounts payable                     | \$ -                                              |
| Deposits from other governments      | 99,917                                            |
| Total liabilities                    | <u>\$ 99,917</u>                                  |

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

**A. Reporting Entity**

Fruit Heights City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

In defining the government, 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 by the Governmental Accounting Standards board (GASB).

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. Under GASB Statement No. 61, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government and the following component units:

**Fruit Heights City Municipal Building Authority.** The Fruit Heights City Municipal Building Authority's governing board is appointed by the government's governing body. The City created a building authority in the form of a non-profit corporation under the Utah Municipal Building Authority Act for the purpose of acquiring, improving, or extending one or more projects, as defined in the Act, and to finance their costs on behalf of the City in accordance with the procedures and subject to limitations of the Act. There was no activity in the current year.

**B. Government-wide and Fund Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Government-wide Financial Statements***

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**B. Government-wide and Fund Financial Statements**

The *Statement of Net Position* presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

***Fund Financial Statements***

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

**General Fund** -This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

**Capital Projects Fund** -This fund accounts for financial resources to be used for the construction of major capital projects.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major proprietary funds:

**B. Government-wide and Fund Financial Statements (Continued)**

**Sewer Fund** - The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Water Fund** - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Solid Waste Fund** - The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Storm Water Fund** - The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, the City reports the following fund type:

**C. Measurement Focus and Basis of Accounting**

**Internal Service Fund** - The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Fiduciary Fund** – The fiduciary fund accounts for the contributions and expenditures of the Davis County Storm water Coalition.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position**

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

***Cash & Cash Equivalents and Investments***

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

***Inventories***

No significant inventories are maintained by the City; therefore, none are reflected in these statements.

***Restricted Assets***

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

***Capital Assets***

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

|              |             |                |             |
|--------------|-------------|----------------|-------------|
| Buildings    | 30-50 years | Equipment      | 5-10 years  |
| Improvements | 10-50 years | Infrastructure | 25-40 years |

***Deferred Outflows of Resources*** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred contributions and differences between projected and actual earnings on its pension plan assets.

***Deferred Inflows of Resources*** – In addition to liabilities, the statement of net position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two types of item reported under this category. *Unavailable revenue- property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. Deferred inflows related to pensions are also reported in this category.

***Long-term Obligations***

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

***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.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

***Equity***

Fund financial statements:

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

***Equity***

Government-wide statements:

Equity is classified as net position and displayed in three components:

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

It is City's policy to first apply restricted resources when the expense is incurred for purposes for which both restricted and unrestricted net position are available.

**E. Revenues and Expenditures**

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

***Revenue Availability***

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Fund Balances/Net Position (Continued)**

***Expenditure Recognition***

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both the General Fund and Capital Projects Fund. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

**Summary of City Budget Procedures and Calendar**

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Budgets and Budgetary Accounting (Continued)**

9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
  - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
  - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Summary of Action Required for Budget Changes:**

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

**G. Contributions**

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

**H. Compensated Absences**

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Restricted Resources**

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

Deposits & 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 or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a "qualified depository".

The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, \$1,891,287 of the City's bank balances of \$2,542,406 was uninsured and uncollateralized.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

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

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

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

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

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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

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

At June 30, 2019, the City had the following recurring fair value measurements.

|                                         | Fair Value Measurements Using |         |              |         |
|-----------------------------------------|-------------------------------|---------|--------------|---------|
|                                         | Total                         | Level 1 | Level 2      | Level 3 |
| <b>Investments by fair value level</b>  |                               |         |              |         |
| Debt securities:                        |                               |         |              |         |
| Utah Public Treasurer's Investment Fund | \$ 4,467,319                  | \$ -    | \$ 4,467,319 | \$ -    |
| Total debt securities                   | \$ 4,467,319                  | \$ -    | \$ 4,467,319 | \$ -    |

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2019 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

**Interest Rate Risk**

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

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2019, the City's investments had the following maturities:

| Investment Type  | Fair Value | Investment Maturities (in Years) |     |      |              |
|------------------|------------|----------------------------------|-----|------|--------------|
|                  |            | Less than 1                      | 1-5 | 6-10 | More than 10 |
| PTIF Investments | 4,467,319  | 4,467,319                        | -   | -    | -            |
|                  | 4,467,319  | 4,467,319                        | -   | -    | -            |

**Credit Risk**

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

At June 30, 2019, the City's investments had the following quality ratings:

| Investment Type  | Fair Value | Quality Ratings |    |   |           |
|------------------|------------|-----------------|----|---|-----------|
|                  |            | AAA             | AA | A | Unrated   |
| PTIF Investments | 4,467,319  | -               | -  | - | 4,467,319 |
|                  | 4,467,319  | -               | -  | - | 4,467,319 |

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

|                              |                            |
|------------------------------|----------------------------|
| Cash on hand and on deposit: |                            |
| Cash on deposit              | \$ 2,511,982               |
| Petty cash                   | 278                        |
| Utility cash clearing        | 816                        |
| PTIF investment              | <u>4,467,319</u>           |
| Total cash and investments   | <u><u>\$ 6,980,395</u></u> |

Cash and investments are included in the accompanying combined statement of net position as follows:

|                            |                            |
|----------------------------|----------------------------|
| Cash                       | \$ 6,210,824               |
| Restricted cash            | 669,654                    |
| Coalition deposits on hand | <u>99,917</u>              |
| Total cash and investments | <u><u>\$ 6,980,395</u></u> |

**NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES**

|                                                    | <b>Governmental<br/>Activities</b> | <b>Enterprise<br/>Funds</b> | <b>Total</b>               |
|----------------------------------------------------|------------------------------------|-----------------------------|----------------------------|
| Receivables:                                       |                                    |                             |                            |
| Individual accounts                                | \$ 17,251                          | \$ 196,387                  | \$ 213,638                 |
| Special assessments                                | -                                  | 14,024                      | 14,024                     |
| Sales tax                                          | 134,083                            | -                           | 134,083                    |
| State grant                                        | 65,582                             | -                           | 65,582                     |
| Transportation tax                                 | 10,731                             | -                           | 10,731                     |
| Franchise tax                                      | 13,040                             | -                           | 13,040                     |
| Property taxes - current                           | 5,847                              | -                           | 5,847                      |
| Property taxes - unavailable                       | 854,531                            | -                           | 854,531                    |
| Class C Roads                                      | <u>49,836</u>                      | <u>-</u>                    | <u>49,836</u>              |
|                                                    | 1,150,901                          | 210,411                     | 1,361,312                  |
| Less: Allowance for uncollectibles                 | <u>-</u>                           | <u>(2,599)</u>              | <u>(2,599)</u>             |
| Net total receivables & due from other governments | <u><u>\$ 1,150,901</u></u>         | <u><u>\$ 207,812</u></u>    | <u><u>\$ 1,358,713</u></u> |
| Statement of Net Position:                         |                                    |                             |                            |
| Accounts receivable                                | \$ 30,291                          | \$ 193,788                  | \$ 224,079                 |
| Special assessments                                | -                                  | 14,024                      | 14,024                     |
| Due from other governments                         | 65,582                             | -                           | 65,582                     |
| Due from other governments - restricted            | <u>1,055,028</u>                   | <u>-</u>                    | <u>1,055,028</u>           |
|                                                    | <u><u>\$ 1,150,901</u></u>         | <u><u>\$ 207,812</u></u>    | <u><u>\$ 1,358,713</u></u> |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES (Continued)**

|                       | <u>Accounts Payable Due To:</u> |                   |                   | Payable<br>from<br>Restricted<br>Assets |
|-----------------------|---------------------------------|-------------------|-------------------|-----------------------------------------|
|                       | Other<br>Governments            | Vendors           | Total             |                                         |
| General Fund          | \$ 84                           | \$ 27,470         | \$ 27,554         | \$ 14                                   |
| Capital Projects Fund | -                               | 227,971           | 227,971           | 26,701                                  |
| Water Fund            | -                               | 9,765             | 9,765             | 8,102                                   |
| Sewer Fund            | 37,251                          | -                 | 37,251            | -                                       |
| Solid Waste Fund      | -                               | 31,112            | 31,112            | -                                       |
| Storm Water Fund      | -                               | 18,143            | 18,143            | 8,442                                   |
| Internal Service Fund | -                               | 116,061           | 116,061           | -                                       |
| Total                 | <u>\$ 37,335</u>                | <u>\$ 430,522</u> | <u>\$ 467,857</u> | <u>\$ 43,259</u>                        |

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019, was as follows:

|                                             | Balance<br>June 30, 2018 | Additions           | (Deletions)           | Balance<br>June 30, 2019 |
|---------------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|
| <b><u>PRIMARY GOVERNMENT</u></b>            |                          |                     |                       |                          |
| <b>GOVERNMENTAL ACTIVITIES</b>              |                          |                     |                       |                          |
| Nondepreciated Assets                       |                          |                     |                       |                          |
| Land                                        | \$ 1,135,873             | \$ -                | \$ -                  | \$ 1,135,873             |
| Construction in Progress                    | 1,267,635                | 593,161             | (1,267,635)           | 593,161                  |
| Water rights                                | 988                      | -                   | -                     | 988                      |
| Total nondepreciated assets                 | <u>2,404,496</u>         | <u>593,161</u>      | <u>(1,267,635)</u>    | <u>1,730,022</u>         |
| Depreciated Assets                          |                          |                     |                       |                          |
| Buildings                                   | 1,238,312                | -                   | -                     | 1,238,312                |
| Infrastructure                              | 6,484,423                | 1,440,322           | -                     | 7,924,745                |
| Improvements                                | 838,395                  | 65,582              | -                     | 903,977                  |
| Vehicles                                    | 1,147,799                | 313,879             | (155,648)             | 1,306,030                |
| Machinery and equipment                     | 130,826                  | 9,404               | -                     | 140,230                  |
| Total depreciated assets                    | <u>9,839,755</u>         | <u>1,829,187</u>    | <u>(155,648)</u>      | <u>11,513,294</u>        |
| Less accumulated depreciation               |                          |                     |                       |                          |
| Buildings                                   | (587,083)                | (34,424)            | -                     | (621,507)                |
| Infrastructure                              | (941,984)                | (144,287)           | -                     | (1,086,271)              |
| Improvements                                | (411,810)                | (36,630)            | -                     | (448,440)                |
| Vehicles                                    | (707,966)                | (75,982)            | 11,675                | (772,273)                |
| Machinery and equipment                     | (112,730)                | (6,219)             | -                     | (118,949)                |
| Total                                       | <u>(2,761,573)</u>       | <u>(297,542)</u>    | <u>11,675</u>         | <u>(3,047,440)</u>       |
| Net assets depreciated                      | <u>7,078,182</u>         | <u>1,531,645</u>    | <u>(143,973)</u>      | <u>8,465,854</u>         |
| Governmental activities capital assets, net | <u>\$ 9,482,678</u>      | <u>\$ 2,124,806</u> | <u>\$ (1,411,608)</u> | <u>\$ 10,195,876</u>     |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

|                                              | Balance<br>June 30, 2018 | Additions  | (Deletions)  | Balance<br>June 30, 2019 |
|----------------------------------------------|--------------------------|------------|--------------|--------------------------|
| <b>PRIMARY GOVERNMENT</b>                    |                          |            |              |                          |
| <b>BUSINESS-TYPE ACTIVITIES</b>              |                          |            |              |                          |
| Nondepreciated Assets                        |                          |            |              |                          |
| Land                                         | \$ 98,783                | \$ -       | \$ -         | \$ 98,783                |
| Construction In Progress                     | 177,196                  | -          | (177,196)    | -                        |
| Water rights                                 | 16,115                   | -          | -            | 16,115                   |
| Total nondepreciated assets                  | 292,094                  | -          | (177,196)    | 114,898                  |
| Depreciated Assets                           |                          |            |              |                          |
| Improvements-nonbuilding                     |                          |            |              |                          |
| Water system                                 | 6,904,057                | 247,379    | -            | 7,151,436                |
| Irrigation water system                      | 455,059                  | -          | -            | 455,059                  |
| Storm water system                           | 2,989,561                | 377,033    | -            | 3,366,594                |
| Equipment                                    |                          |            |              |                          |
| Water system                                 | 111,037                  | -          | -            | 111,037                  |
| Sewer system                                 | 2,338                    | -          | -            | 2,338                    |
| Total depreciated assets                     | 10,462,052               | 624,412    | -            | 11,086,464               |
| Less accumulated depreciation                |                          |            |              |                          |
| Improvements-nonbuilding                     |                          |            |              |                          |
| Water system                                 | (2,070,806)              | (138,600)  | -            | (2,209,406)              |
| Irrigation water system                      | (111,176)                | (9,101)    | -            | (120,277)                |
| Storm water system                           | (506,809)                | (61,681)   | -            | (568,490)                |
| Equipment                                    |                          |            |              |                          |
| Water system                                 | (82,152)                 | (5,550)    | -            | (87,702)                 |
| Sewer system                                 | (2,338)                  | -          | -            | (2,338)                  |
| Total                                        | (2,773,281)              | (214,932)  | -            | (2,988,213)              |
| Net assets depreciated                       | 7,688,771                | 409,480    | -            | 8,098,251                |
| Business-type activities capital assets, net | \$ 7,980,865             | \$ 409,480 | \$ (177,196) | \$ 8,213,149             |

**DEPRECIATION EXPENSE**

|                                  | Governmental<br>Types | Business<br>Types | Totals     |
|----------------------------------|-----------------------|-------------------|------------|
| General government               | \$ 34,423             | \$ -              | \$ 34,423  |
| Public Safety                    | 150,507               | -                 | 150,507    |
| Highways and public improvements | -                     | -                 | -          |
| Parks                            | 36,630                | -                 | 36,630     |
| Internal service                 | 75,982                | -                 | 75,982     |
| Water                            | -                     | 153,251           | 153,251    |
| Storm water                      | -                     | 61,681            | 61,681     |
| TOTAL                            | \$ 297,542            | \$ 214,932        | \$ 512,474 |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS**

General Information about the Pension Plan

**Plan Description:**

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

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)**

**Benefits Provided:**

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

| <b>Summary of Benefits by System</b> |                      |                                                                                                 |                                     |            |
|--------------------------------------|----------------------|-------------------------------------------------------------------------------------------------|-------------------------------------|------------|
| 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<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>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<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years             | Up to 2.5% |

\* with actuarial reductions

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

**Contributions:**

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

**Utah Retirement Systems**

|                                        | Employee | Employer | Employer 401(k) |
|----------------------------------------|----------|----------|-----------------|
| Contributory System                    |          |          |                 |
| 111 - Local Government Division Tier 2 | N/A      | 15.54%   | 1.15%           |
| Noncontributory System                 |          |          |                 |
| 15 - Local Government Division Tier 1  | N/A      | 18.47%   | N/A             |
| Tier 2 DC Only                         |          |          |                 |
| 211 - Local Government                 | N/A      | 6.69%    | 10.00%          |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)**

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, 2019, the employer and employee contributions to the Systems were as follows:

| System                         | Employer<br>Contributions | Employee<br>Contributions |
|--------------------------------|---------------------------|---------------------------|
| Noncontributory System         | \$ 63,214                 | N/A                       |
| Tier 2 Public Employees System | 18,486                    | -                         |
| Total Contributions            | \$ 81,700                 | \$ -                      |

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

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$304,095.

|                                | <b>(Measurement Date): December 31, 2018</b> |                          |                        |                                          |                      |
|--------------------------------|----------------------------------------------|--------------------------|------------------------|------------------------------------------|----------------------|
|                                | Net Pension<br>Asset                         | Net Pension<br>Liability | Proportionate<br>Share | Proportionate Share<br>December 31, 2017 | Change<br>(Decrease) |
| Noncontributory System         | \$ -                                         | \$ 300,271               | 0.0407770%             | 0.0409432%                               | 0.0001662%           |
| Tier 2 Public Employees System | -                                            | 3,824                    | 0.0089296%             | 0.0090631%                               | 0.0001335%           |
|                                | <u>\$ -</u>                                  | <u>\$ 304,095</u>        |                        |                                          |                      |

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, we recognized pension expense of \$96,838. At June 30, 2019, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)**

|                                                                                                         | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                                      | \$ 3,889                             | \$ 6,390                            |
| Changes in assumptions                                                                                  | 41,184                               | 69                                  |
| Net difference between projected and actual earnings on<br>pension plan investments                     | 63,729                               | -                                   |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 6,765                                | 991                                 |
| Contributions subsequent to the measurement date                                                        | 41,856                               | -                                   |
| Total                                                                                                   | <u>\$ 157,423</u>                    | <u>\$ 7,450</u>                     |

\$41,856 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Net Deferred<br>Outflows (Inflows)<br>of Resources |
|-------------------------|----------------------------------------------------|
| 2019                    | \$ 48,442                                          |
| 2020                    | 20,579                                             |
| 2021                    | 8,081                                              |
| 2022                    | 30,207                                             |
| 2023                    | 107                                                |
| Thereafter              | 701                                                |

**Actuarial assumptions:**

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

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

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

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (Continued)**

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

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

| Asset Class               | Expected Return Arithmetic Basis   |                              |                                                  |
|---------------------------|------------------------------------|------------------------------|--------------------------------------------------|
|                           | Target Asset Allocation            | Real Return Arithmetic Basis | Long-term Expected Portfolio Real Rate of Return |
| Equity Securities         | 40%                                | 6.15%                        | 2.46%                                            |
| Debt Securities           | 20%                                | .40%                         | 0.08%                                            |
| Real Assets               | 15%                                | 5.75%                        | 0.86%                                            |
| Private Equity            | 9%                                 | 9.95%                        | 0.89%                                            |
| Absolute Return           | 16%                                | 2.85%                        | 0.46%                                            |
| Cash and Cash Equivalents | 0%                                 | 0.00%                        | 0.00%                                            |
| Totals                    | 100%                               |                              | 4.75%                                            |
|                           | Inflation                          |                              | 2.50%                                            |
|                           | Expected arithmetic nominal return |                              | 7.25%                                            |

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

**Discount Rate:**

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

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (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 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated used a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

| <b>System</b>                     | <b>1% Decrease<br/>(5.95%)</b> | <b>Discount Rate<br/>(6.95%)</b> | <b>1% Increase<br/>(7.95%)</b> |
|-----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System            | \$ 615,393                     | \$ 300,271                       | \$ 37,857                      |
| Tier 2 Public Employees<br>System | 15,321                         | 3,824                            | (5,048)                        |
| <b>Total</b>                      | <b>\$ 630,714</b>              | <b>\$ 304,095</b>                | <b>\$ 32,809</b>               |

**Pension Plan Fiduciary Net Position:**

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

**Defined Contribution Savings Plans:**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under 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.

Fruit Heights 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:

| <b>401(k) Plan</b>     | <b>2019</b> | <b>2018</b> | <b>2017</b> |
|------------------------|-------------|-------------|-------------|
| Employer Contributions | \$ 19,118   | \$ 19,728   | \$ 19,165   |
| Employee Contributions | 7,520       | 9,880       | 8,340       |
| <b>457 Plan</b>        |             |             |             |
| Employer Contributions | -           | -           | -           |
| Employee Contributions | -           | 856         | 520         |
| <b>Roth IRA Plan</b>   |             |             |             |
| Employer Contributions | N/A         | N/A         | N/A         |
| Employee Contributions | -           | 650         | -           |

**FRUIT HEIGHTS CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**NOTE 6 - POST-EMPLOYMENT BENEFITS**

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

**NOTE 7 - RISK MANAGEMENT**

Fruit Heights City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2019, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

**NOTE 8 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES**

The accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2019 was \$29,478.

**NOTE 9 - INTERFUND CHARGES FOR SERVICES**

During the year ended June 30, 2019, the interfund charges for services were as follows:

Internal Service Fund - vehicle and equipment operating costs charged to:

|                      |                   |
|----------------------|-------------------|
| Water fund           | \$ 38,000         |
| Storm water fund     | 38,000            |
| General fund - roads | 38,000            |
| General fund - parks | 38,000            |
|                      | <u>38,000</u>     |
|                      | <u>\$ 152,000</u> |

General Fund charges for services administrative cost share charged to:

|                  |                  |
|------------------|------------------|
| Water fund       | \$ 23,880        |
| Solid waste fund | 13,380           |
| Storm water fund | 13,380           |
| Sewer fund       | 13,380           |
|                  | <u>13,380</u>    |
|                  | <u>\$ 64,020</u> |

**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 9 - INTERFUND CHARGES FOR SERVICES (Continued)**

General fund building costs share charged to:

|                  |           |
|------------------|-----------|
| Water fund       | \$ 6,804  |
| Solid waste fund | 6,804     |
| Storm water fund | 6,804     |
| Sewer fund       | 6,804     |
|                  | <hr/>     |
|                  | \$ 27,216 |

**NOTE 11 - RESTRICTIONS OF FUND BALANCE/NET POSITION**

Restricted for Park Impact Fees - This represents park impact fees collected and restricted for park improvements.

Restricted for Water Impact Fees - This represents impact fees collected and restricted for water improvements.

Restricted for Class "C" Road - This represents the excess of Class "C" Road funds received over the amount spent.

Restricted for Special Assessment - This represents amounts assessed to residents for pressurized irrigation system, collected and held for repayment of loan.

Restricted for Trail Improvements - This represents amounts donated by residents for improvement of the trail system.

**NOTE 12 - PROPERTY TAX CALENDAR**

|                                                                                                                   |                                                  |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Lien date                                                                                                         | Jan. 1                                           |
| Taxing entity notifies the county of date, time, and place of public hearing                                      | Mar. 1                                           |
| Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year | 1 <sup>st</sup> scheduled council meeting in May |
| County auditor sends valuation certified tax rate and levy worksheets to each taxing entity                       | Jun. 8                                           |
| Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor         | Before Jun. 22                                   |
| Taxing entity adopts a final tax rate if there is no increase in certified tax rate                               | Jun. 22                                          |

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**FRUIT HEIGHTS CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 12 - PROPERTY TAX CALENDAR (Continued)**

|                                                                                                          |         |
|----------------------------------------------------------------------------------------------------------|---------|
| Taxing entity adopts final budget if there is no increase in certified tax rate                          | Jun. 22 |
| Copy of the budget is submitted to state auditor within 30 days of adoption Payment and delinquency date | Nov. 30 |

**NOTE 13 - EXPLANATION OF CERTAIN DIFFERENCES**

The proprietary fund Statement of Net Position includes a reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide Statement of Net Position. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this difference are as follows:

|                                                                                                                                     |                         |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| Internal receivable representing charges in excess of cost to business type activities - prior years                                | \$ 47,099               |
| Internal receivable representing costs in excess of charges to business type activities - current year                              | 22,886                  |
| Interfund borrowing to cover expenditures in excess of revenues and available cash.                                                 | <u>-</u>                |
| Net adjustment to increase <i>net position - total enterprise funds</i> to arrive at <i>net position - business-type activities</i> | <u><u>\$ 69,985</u></u> |

**NOTE 14 – INTERFUND BALANCES AND TRANSFERS**

As of June 30, 2019, no balances existed between funds.

During the 2019 year a transfer was made from the General Fund to the Capital Projects Fund in order for those resources to be available for the capital project expenses incurred in 2019 and committed in 2019. The amount of this transfer was \$650,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                  | <u>Budgeted Amounts</u> |              |               | <u>Variance</u>                          |
|----------------------------------|-------------------------|--------------|---------------|------------------------------------------|
|                                  | <u>Original</u>         | <u>Final</u> | <u>Actual</u> | <u>Favorable</u><br><u>(Unfavorable)</u> |
| <u>Revenues</u>                  |                         |              |               |                                          |
| Taxes:                           |                         |              |               |                                          |
| Property taxes                   | \$ 884,741              | \$ 884,741   | \$ 875,079    | \$ (9,662)                               |
| Fees-in-lieu taxes               | 55,000                  | 55,000       | 59,029        | 4,029                                    |
| Franchise tax - cable rent       | 60,100                  | 60,100       | 117,606       | 57,506                                   |
| Sales tax                        | 600,000                 | 780,507      | 752,828       | (27,679)                                 |
| Total taxes                      | 1,599,841               | 1,780,348    | 1,804,542     | 24,194                                   |
| Licenses and permits:            |                         |              |               |                                          |
| Business licenses and permits    | 1,000                   | 1,000        | 4,525         | 3,525                                    |
| Building permits                 | 55,000                  | 55,000       | 69,209        | 14,209                                   |
| Excavation fee                   | 500                     | 500          | 1,318         | 818                                      |
| Total licenses and permits       | 56,500                  | 56,500       | 75,052        | 18,552                                   |
| Intergovernmental:               |                         |              |               |                                          |
| Class "C" roads                  | 538,539                 | 538,539      | 243,856       | (294,683)                                |
| State grants                     | -                       | -            | 65,582        | 65,582                                   |
| Local Option Tax                 | 54,700                  | 54,700       | 57,804        | 3,104                                    |
| State liquor allotment           | -                       | -            | -             | -                                        |
| Total intergovernmental          | 593,239                 | 593,239      | 367,242       | (225,997)                                |
| Charges for services:            |                         |              |               |                                          |
| Subdivision and engineering fees | 7,000                   | 7,000        | 14,804        | 7,804                                    |
| Inspection fees                  | 30,500                  | 30,500       | 58,562        | 28,062                                   |
| Building rent                    | 27,216                  | 27,216       | 27,216        | -                                        |
| Administrative services          | 64,020                  | 64,020       | 64,020        | -                                        |
| Park fees                        | 2,500                   | 2,500        | 2,732         | 232                                      |
| Total charges for services       | 131,236                 | 131,236      | 167,334       | 36,098                                   |
| Fines and forfeitures            | -                       | -            | -             | -                                        |
| Other revenues:                  |                         |              |               |                                          |
| Interest earnings                | 10,000                  | 10,000       | 25,410        | 15,410                                   |
| Miscellaneous                    | 20,550                  | 20,550       | 17,430        | (3,120)                                  |
| Total other revenues             | 30,550                  | 30,550       | 42,840        | 12,290                                   |
| Total revenues                   | \$ 2,411,366            | \$ 2,591,873 | \$ 2,457,010  | \$ (134,863)                             |

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Expenditures</u>                               | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------------------------|-------------------------|-------------------|-------------------|-------------------------------------------------|
|                                                   | <u>Original</u>         | <u>Final</u>      |                   |                                                 |
| Current:                                          |                         |                   |                   |                                                 |
| General government:                               |                         |                   |                   |                                                 |
| Mayor and council                                 | 47,500                  | 47,500            | 39,927            | 7,573                                           |
| Executive                                         | 142,350                 | 142,350           | 137,316           | 5,034                                           |
| City Treasurer                                    | 69,375                  | 69,375            | 65,187            | 4,188                                           |
| City Recorder                                     | 54,518                  | 60,150            | 58,992            | 1,158                                           |
| Professional and technical services               | 40,000                  | 40,000            | 32,745            | 7,255                                           |
| City Hall operations                              | 20,500                  | 20,500            | 13,081            | 7,419                                           |
| Emergency preparedness                            | 3,000                   | 3,000             | 338               | 2,662                                           |
| Non-departmental                                  | 253,436                 | 307,436           | 285,034           | 22,402                                          |
| Elections                                         | 600                     | 600               | 41                | 559                                             |
| Planning and zoning                               | 76,440                  | 82,440            | 83,058            | (618)                                           |
| Total general government                          | <u>707,719</u>          | <u>773,351</u>    | <u>715,719</u>    | <u>57,632</u>                                   |
| Public safety:                                    |                         |                   |                   |                                                 |
| Law enforcement                                   | 237,000                 | 237,000           | 139,036           | 97,964                                          |
| Fire protection                                   | 220,000                 | 220,000           | 220,000           | -                                               |
| Protective inspection                             | 24,850                  | 24,850            | 26,568            | (1,718)                                         |
| Total public safety                               | <u>481,850</u>          | <u>481,850</u>    | <u>385,604</u>    | <u>96,246</u>                                   |
| Roadways:                                         |                         |                   |                   |                                                 |
| Roads                                             | 336,150                 | 336,150           | 263,335           | 72,815                                          |
| Class "C" Roads                                   | 538,539                 | 538,539           | 506,389           | 32,150                                          |
| Total roadways                                    | <u>874,689</u>          | <u>874,689</u>    | <u>769,724</u>    | <u>104,965</u>                                  |
| Parks and recreation:                             |                         |                   |                   |                                                 |
| Parks                                             | 154,500                 | 184,500           | 153,777           | 30,723                                          |
| Recreation                                        | 3,500                   | 3,500             | 3,328             | 172                                             |
| Total parks and recreation                        | <u>158,000</u>          | <u>188,000</u>    | <u>157,105</u>    | <u>30,895</u>                                   |
| Total expenditures                                | <u>2,222,258</u>        | <u>2,317,890</u>  | <u>2,028,152</u>  | <u>289,738</u>                                  |
| Excess (deficiency) of revenues over expenditures | <u>189,108</u>          | <u>273,983</u>    | <u>428,858</u>    | <u>(154,875)</u>                                |
| Other financing sources (uses)                    |                         |                   |                   |                                                 |
| Appropriation of fund balance                     | -                       | 479,003           | -                 | 479,003                                         |
| Transfers (out)                                   | <u>(189,108)</u>        | <u>(752,536)</u>  | <u>(650,000)</u>  | <u>(102,536)</u>                                |
| Total other financing sources (uses)              | <u>(189,108)</u>        | <u>(273,533)</u>  | <u>(650,000)</u>  | <u>376,467</u>                                  |
| Net change in fund balance                        | -                       | 450               | (221,142)         | 221,592                                         |
| Fund balance - beginning of year                  | <u>588,145</u>          | <u>588,145</u>    | <u>588,145</u>    | <u>-</u>                                        |
| Fund balance - end of year                        | <u>\$ 588,145</u>       | <u>\$ 588,595</u> | <u>\$ 367,003</u> | <u>\$ 221,592</u>                               |

**FRUIT HEIGHTS CITY**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**UTAH RETIREMENT SYSTEMS**

**JUNE 30, 2019**  
**with a measurement date of December 31, 2018**  
**Last 10 fiscal years\***

|                                                                                                             |         | <u>Noncontributory<br/>System</u> | <u>Tier 2 Public<br/>Employees<br/>System</u> |
|-------------------------------------------------------------------------------------------------------------|---------|-----------------------------------|-----------------------------------------------|
| Proportion of the net pension liability (asset)                                                             | 2019    | 0.0407770%                        | 0.0089296%                                    |
|                                                                                                             | 2018    | 0.0409432%                        | 0.0090631%                                    |
|                                                                                                             | 2017    | 0.0389707%                        | 0.0090449%                                    |
|                                                                                                             | 2016    | 0.0385280%                        | 0.0072274%                                    |
|                                                                                                             | 2015    | 0.0366420%                        | 0.0098102%                                    |
| Proportion share of the net pension liability (asset)                                                       | 2019 \$ | 300,271                           | \$ 3,824                                      |
|                                                                                                             | 2018 \$ | 179,384                           | \$ 799                                        |
|                                                                                                             | 2017 \$ | 250,240                           | \$ 1,009                                      |
|                                                                                                             | 2016 \$ | 218,010                           | \$ (16)                                       |
|                                                                                                             | 2015 \$ | 159,108                           | \$ (297)                                      |
| Covered employee payroll                                                                                    | 2019 \$ | 349,016                           | \$ 104,535                                    |
|                                                                                                             | 2018 \$ | 348,292                           | \$ 88,643                                     |
|                                                                                                             | 2017 \$ | 333,649                           | \$ 74,175                                     |
|                                                                                                             | 2016 \$ | 326,470                           | \$ 46,702                                     |
|                                                                                                             | 2015 \$ | 159,108                           | \$ (297)                                      |
| Proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 2019    | 86.03%                            | 3.66%                                         |
|                                                                                                             | 2018    | 51.5%                             | 0.90%                                         |
|                                                                                                             | 2017    | 75.0%                             | 1.36%                                         |
|                                                                                                             | 2016    | 66.8%                             | -0.03%                                        |
|                                                                                                             | 2015    | 52.1%                             | 0.6%                                          |
| Plan fiduciary net position as a percentage of the<br>total pension liability                               | 2019    | 87.0%                             | 90.8%                                         |
|                                                                                                             | 2018    | 91.9%                             | 97.4%                                         |
|                                                                                                             | 2017    | 87.3%                             | 95.1%                                         |
|                                                                                                             | 2016    | 87.8%                             | 100.2%                                        |
|                                                                                                             | 2015    | 90.2%                             | 103.5%                                        |

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year and three years prior.

See accompanying notes to required supplementary information

**FRUIT HEIGHTS CITY  
SCHEDULE OF CONTRIBUTIONS  
UTAH RETIREMENT SYSTEMS  
JUNE 30, 2019  
with a measurement date of December 31, 2018  
Last 10 fiscal years\***

|                                        | <b>June<br/>30th</b> | <b>Actuarial<br/>Determined<br/>Contributions</b> | <b>Contributions<br/>in relation to<br/>the<br/>contractually<br/>required<br/>contribution</b> | <b>Contribution<br/>deficiency<br/>(excess)</b> | <b>Covered<br/>employee<br/>payroll</b> | <b>Contribution<br/>as a<br/>percentage of<br/>covered<br/>employee<br/>payroll</b> |
|----------------------------------------|----------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------|
| <b>Noncontributory System</b>          | 2014                 | 49,891                                            | 49,891                                                                                          | -                                               | 288,555                                 | 17.29%                                                                              |
|                                        | 2015                 | 60,198                                            | 60,198                                                                                          | -                                               | 325,921                                 | 18.47%                                                                              |
|                                        | 2016                 | 60,557                                            | 60,557                                                                                          | -                                               | 327,868                                 | 18.47%                                                                              |
|                                        | 2017                 | 63,449                                            | 63,449                                                                                          | -                                               | 343,525                                 | 18.47%                                                                              |
|                                        | 2018                 | 64,440                                            | 64,440                                                                                          | -                                               | 348,891                                 | 18.47%                                                                              |
|                                        | 2019                 | 63,214                                            | 63,214                                                                                          | -                                               | 349,822                                 | 18.07%                                                                              |
| <b>Tier 2 Public Employees System*</b> | 2014                 | 8,659                                             | 8,659                                                                                           | -                                               | 61,891                                  | 13.99%                                                                              |
|                                        | 2015                 | 5,783                                             | 5,783                                                                                           | -                                               | 38,709                                  | 14.94%                                                                              |
|                                        | 2016                 | 9,476                                             | 9,476                                                                                           | -                                               | 63,556                                  | 14.91%                                                                              |
|                                        | 2017                 | 11,480                                            | 11,480                                                                                          | -                                               | 76,996                                  | 14.91%                                                                              |
|                                        | 2018                 | 15,831                                            | 15,831                                                                                          | -                                               | 104,772                                 | 15.11%                                                                              |
|                                        | 2019                 | 18,486                                            | 18,486                                                                                          | -                                               | 118,957                                 | 15.54%                                                                              |

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

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

**FRUIT HEIGHTS CITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
UTAH RETIREMENT SYSTEMS  
JUNE 30, 2019**

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Changes in Assumptions:

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

## **AUDITORS' REPORTS & FINDINGS**



Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards*

To the Mayor and City Council  
Fruit Heights, Utah

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fruit Heights internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fruit Heights City's internal control. Accordingly, we do not express an opinion on the effectiveness of Fruit Heights 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Christensen, Palmer + Ambrose P.C.*

December 30, 2019  
Ogden, UT



Independent Auditor's Report on Compliance and on  
Internal Controls Over Compliance in Accordance With the  
State of Utah Legal Compliance Audit Guide

To the Mayor and City Council  
Fruit Heights City

**REPORT ON COMPLIANCE**

We have audited Fruit Heights City's compliance with the general program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2019.

The general compliance requirements applicable to Fruit Heights City are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Treasurers' Bond
- Cash Management
- Impact Fees

Fruit Heights City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2019.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the City's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

***Opinion***

In our opinion, Fruit Heights City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2019.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

#### ***Purpose of 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.

*Christensen, Palmer + Ambrose P.C.*