

**FRUIT HEIGHTS CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8

Basic Financial Statements:

Government Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Governmental Funds Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund Statements:	
Statement of Net Position – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17-18
Fiduciary Fund Statement	19
Notes to the Financial Statements	20-47

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – General Fund	48-49
Schedule of Proportionate Share of the Net Pension Liability	50
Schedule of Contributions	51
Notes to the Required Supplementary Information	52

Auditors' Reports and Findings:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	53
Independent Auditors' Report in Accordance with the State Compliance Audit Guide	54-55



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, 2021 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, 2021 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 - 8 and 48-52 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 February 12, 2022 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.

February 12, 2022
Ogden, UT

MANAGEMENT DISCUSSION AND ANALYSIS

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

INTRODUCTION

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2021.

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, 2021**

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 2021	June 30 2020	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Cash	\$ 3,874,034	\$ 2,556,029	\$ 3,176,747	\$ 2,921,781	\$ 7,050,780	\$ 5,477,809
Other assets	1,365,219	1,327,584	347,144	338,565	1,712,363	1,666,149
Capital assets	10,224,086	10,551,912	10,614,487	10,256,593	20,838,573	20,808,505
Total assets	15,463,339	14,435,525	14,138,378	13,516,939	29,601,716	27,952,463
Deferred outflows of resources	50,489	54,452	10,588	13,250	61,077	67,702
	15,513,828	14,489,977	14,148,966	13,530,189	29,662,793	28,020,165
Long-term liabilities	51,496	122,891	(16,970)	32,487	34,526	155,378
Other liabilities	161,274	119,720	368,839	275,111	530,113	394,831
Total liabilities	212,770	242,611	351,869	307,598	564,639	550,209
Deferred inflows of resources	1,330,301	1,113,578	56,192	31,547	1,386,493	1,145,125
Net position:						
Net investment in capital assets	10,224,086	10,551,912	10,614,487	10,256,593	20,838,573	20,808,505
Restricted	692,522	316,810	573,134	486,543	1,265,656	803,353
Unrestricted	3,054,149	2,265,066	2,553,284	2,447,908	5,607,432	4,712,974
Total net position	\$ 13,970,757	\$ 13,133,788	\$ 13,740,905	\$ 13,191,044	\$ 27,711,661	\$ 26,324,832

Analysis of Financial Position:

Governmental Activities:

The governmental activities have seen an increase to cash (restricted and unrestricted) of \$1,318,005. The City has invested a small portion of its cash into capital assets and net capital assets has decreased by \$327,826 due to depreciation. Total assets including receivables, prepaids, and amounts due from other governments has increased by \$1,027,814.

Total liabilities for the governmental activities decreased \$29,841, mostly due to differences in timing of vendor payments.

The total net position increased by \$836,969 of which a decrease of \$327,826 was from the net investment in capital assets, while restricted amounts increased by \$375,712, and unrestricted increased by \$789,083. 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, 2021**

Business-Type Activities:

The business-type activities have seen an increase to cash (restricted and unrestricted) of \$254,966. The City's new purchases, acquisitions, construction of capital assets, and contributed capital has exceeded depreciation expense by \$357,894. Total assets including receivables and prepaid expenses have increased by \$621,439.

Total liabilities for the business-type activities increased from the prior year by \$44,271, due to timing in various bill payments.

The total net position increased by \$549,861 of which \$357,894 was from the net investment in capital assets, the restricted amounts decreased by \$86,591, and the unrestricted net position decreased by \$105,376. Overall, the business-type activities net position has improved from the prior year.

Remainder of this page is intentionally left blank.

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

Governmental Activities and Business Type Activities

	Governmental Activities		Business-type Activities		Total	
	June 30 2021	June 30 2020	June 30 2021	June 30 2020	June 30 2021	June 30 2020
Revenues:						
Program revenues:						
Charges for services	\$ 90,502	\$ 220,909	\$ 2,362,771	\$ 2,293,090	\$ 2,453,273	\$ 2,513,999
Grants and contributions:						
Operating	773,865	312,248	-	-	773,865	312,248
Capital	18,955	103,035	106,112	54,987	125,067	158,022
General revenues:						
Property taxes	962,599	895,373	-	-	962,599	895,373
Sales taxes	1,139,156	985,691	-	-	1,139,156	985,691
Other taxes	186,307	178,666	-	-	186,307	178,666
Other	63,258	100,253	10,289	57,431	73,547	157,684
Total revenues	3,234,642	2,796,175	2,479,172	2,405,508	5,713,814	5,201,683
Expenses:						
General government	1,000,759	808,329	-	-	1,000,759	808,329
Public safety	635,111	606,842	-	-	635,111	606,842
Public works	513,117	185,152	-	-	513,117	185,152
Parks and recreation	248,686	151,690	-	-	248,686	151,690
Water	-	-	718,302	731,522	718,302	731,522
Sewer	-	-	547,851	556,413	547,851	556,413
Solid waste	-	-	411,614	402,103	411,614	402,103
Storm sewer	-	-	251,545	257,741	251,545	257,741
Total expenses	2,397,673	1,752,013	1,929,312	1,947,779	4,326,985	3,699,792
Transfers in (out)	-	-	-	-	-	-
Change in net position	836,969	1,044,162	549,861	457,729	1,386,829	1,501,891
Net position-beginning	13,133,788	12,089,626	13,191,044	12,733,315	26,324,832	24,822,941
Net position-ending	\$ 13,970,757	\$ 13,133,788	\$ 13,740,905	\$ 13,191,044	\$ 27,711,661	\$ 26,324,832

Governmental Activities

The net change in position for the governmental activities was \$836,969 which is less than the change in net position from 2020 by \$207,193. The reasons for the change are due to a revenue increase of \$438,467 and an expenditure increase of \$645,660.

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

Business-Type Activities

The business-type activities increased net position by \$549,861, which is more than the results of operations in 2020 by \$92,132. The reason for the increase is an increase to revenues of \$73,664 and a decrease in expenses of \$18,467.

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
	2021	2020	
General			
Nonspendable	\$ 4,362	\$ 5,971	\$ (1,609)
Class C Roads	514,969	316,810	198,159
Transportation tax	-	-	-
Unassigned	389,122	345,579	43,543
	<u>908,453</u>	<u>668,360</u>	<u>240,093</u>
Capital Projects			
Impact Fees	-	-	-
Transportation fees	177,553	-	177,553
Assigned	2,410,606	1,936,654	473,952
	<u>2,588,159</u>	<u>1,936,654</u>	<u>651,505</u>
Water			
Investment in Capital Assets	7,837,696	7,519,919	317,777
Special Assessment	228,427	223,551	4,876
Impact Fees	344,707	262,992	81,715
Unrestricted	685,068	870,043	(184,975)
	<u>9,095,898</u>	<u>8,876,505</u>	<u>219,393</u>
Sewer Unrestricted	<u>381,309</u>	<u>360,135</u>	<u>21,174</u>
Solid Waste Unrestricted	<u>418,300</u>	<u>428,527</u>	<u>(10,227)</u>
Storm Water			
Investment in Capital Assets	2,776,791	2,736,674	40,117
Impact Fees	-	-	-
Unrestricted	658,400	539,455	118,945
	<u>3,435,191</u>	<u>3,276,129</u>	<u>159,062</u>
Internal Service	<u>1,292,210</u>	<u>971,293</u>	<u>320,917</u>

General Fund Budgets

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

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

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

- Intergovernmental revenue increased \$533,431 and general government expenses increased \$515,800 mainly due to CARES act funding
- Roadways expense increased \$95,000 due to maintenance projects

Actual General Fund revenues were \$787,509 above the original budget and \$262,578 above the final budget.

Actual General Fund expenses before transfers were \$47,416 above the original budget and \$601,384 below the final budget.

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

- Sales tax revenue was \$187,696 more than budgeted
- CARES act revenue was \$120,389 less than budgeted
- General government expenditures were \$285,162 less than budgeted. This includes CARES act expenses which were \$119,170 less than budgeted
- Roadway expenditures were \$313,983 less than budgeted.

Capital Assets

Fruit Heights City added \$203,342 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: vehicles of \$168,435 and equipment of \$34,907.

Fruit Heights City added \$639,212 in new business-type activity capital assets during the fiscal year. The following assets were acquired or constructed: \$526,012 for water system improvements, and \$108,108 for storm water system improvements. \$5,092 of land was also purchased.

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.

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, 2021

	Primary Government		
	Governmental	Business-type	Total
ASSETS	Activities	Activities	
Cash and cash equivalents	\$ 3,359,065	\$ 2,603,613	\$ 5,962,677
Restricted cash	514,969	573,134	1,088,103
Accounts receivable	31,106	203,716	234,822
Special assessments receivable	-	9,471	9,471
Due from other governmental units	1,273,762	-	1,273,762
Due from other governmental units - restricted	55,989	-	55,989
Prepaid expenses	4,362	133,957	138,319
Net pension asset	-	-	-
Capital assets			
Land	1,135,873	103,875	1,239,748
Construction in progress	-	-	-
Water rights	988	16,115	17,103
Buildings	1,238,312	-	1,238,312
Infrastructure and Improvements	9,935,317	13,874,637	23,809,954
Machinery and equipment	1,337,527	128,005	1,465,532
Less: accumulated depreciation	(3,423,931)	(3,508,145)	(6,932,076)
Total capital assets, net	10,224,086	10,614,487	20,838,573
TOTAL ASSETS	15,463,339	14,138,378	29,601,716
Deferred outflows of resources - pensions	50,489	10,588	61,077
TOTAL ASSETS AND DEFERRED OUTFLOWS	15,513,828	14,148,966	29,662,793
LIABILITIES			
Accounts payable	45,579	163,222	208,801
Accrued expenses	33,080	11,520	44,600
Deposits	2,400	194,097	196,497
Subdivider guarantee deposits	80,215	-	80,215
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	51,496	(16,970)	34,526
TOTAL LIABILITIES	212,770	351,869	564,639
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - CARES act	120,389	-	120,389
Unavailable revenue - property taxes	1,114,745	-	1,114,745
Related to pensions	95,167	56,192	151,359
TOTAL DEFERRED INFLOWS OF RESOURCES	1,330,301	56,192	1,386,493
NET POSITION			
Net investment in capital assets	10,224,086	10,614,487	20,838,573
Restricted for:			
Class "C" roads	514,969	-	514,969
Park impact fees	-	-	-
Transportation fees	177,553	-	177,553
Water impact fees	-	344,707	344,707
Special assessment	-	228,427	228,427
Unrestricted	3,054,149	2,553,284	5,607,432
TOTAL NET POSITION	\$ 13,970,757	\$ 13,740,905	\$ 27,711,661

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 1,000,759	\$ (44,996)	\$ -	\$ -	\$ (1,045,755)	\$ -	\$ (1,045,755)
Public safety	635,111	-	413,042	-	(222,069)	-	(222,069)
Highways and public improvements	513,117	133,257	344,567	-	(35,293)	-	(35,293)
Parks and recreation	248,686	2,240	16,256	18,955	(211,235)	-	(211,235)
Total governmental activities	<u>2,397,673</u>	<u>90,502</u>	<u>773,865</u>	<u>18,955</u>	<u>(1,514,352)</u>	<u>-</u>	<u>(1,514,352)</u>
Business-type activities:							
Water	718,302	1,016,443	-	77,489	-	375,631	375,631
Sewer	547,851	567,706	-	-	-	19,855	19,855
Solid waste	411,614	399,804	-	-	-	(11,810)	(11,810)
Storm water	251,545	378,818	-	28,623	-	155,896	155,896
Total business-type activities	<u>1,929,312</u>	<u>2,362,771</u>	<u>-</u>	<u>106,112</u>	<u>-</u>	<u>539,572</u>	<u>539,572</u>
Total primary government	<u>\$ 4,326,985</u>	<u>\$2,453,273</u>	<u>\$ 773,865</u>	<u>\$ 125,067</u>	<u>(1,514,352)</u>	<u>539,572</u>	<u>(974,780)</u>
General revenues:							
Property taxes					962,599	-	962,599
Sales taxes					1,139,156	-	1,139,156
Fees-in-lieu of taxes					63,259	-	63,259
Franchise tax					123,048	-	123,048
Miscellaneous					63,258	10,289	73,547
Transfers in (out)					-	-	-
Total general revenues and transfers					<u>2,351,320</u>	<u>10,289</u>	<u>2,361,609</u>
Change in net position					836,969	549,861	1,386,829
Net position - beginning					<u>13,133,788</u>	<u>13,191,044</u>	<u>26,324,832</u>
Net position - ending					<u>\$ 13,970,757</u>	<u>\$ 13,740,905</u>	<u>\$ 27,711,661</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 441,543	\$ 2,570,908	\$ 3,012,451
Accounts receivable	13,855	17,251	31,106
Due from other governmental units	1,273,762	-	1,273,762
Prepaid expenses	4,362	-	4,362
Restricted assets:			
Restricted cash	514,969	-	514,969
Due from other governmental units	55,992	-	55,992
Total assets	<u>\$ 2,304,483</u>	<u>\$ 2,588,159</u>	<u>\$ 4,892,642</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 45,201	\$ -	\$ 45,201
Accrued expenses	33,080	-	33,080
Customer deposits	2,400	-	2,400
Subdivision guarantee deposits	80,215	-	80,215
Total liabilities	<u>160,896</u>	<u>-</u>	<u>160,896</u>
Deferred inflows of resources			
Deferred revenue - CARES act	120,389	-	120,389
Unavailable revenue - property taxes	1,114,745	-	1,114,745
Total deferred inflows of resources	<u>1,235,134</u>	<u>-</u>	<u>1,235,134</u>
Fund balances:			
Nonspendable - prepaid expenses	4,362	-	4,362
Restricted for:			
Class "C" Roads	514,969	-	514,969
Park impact fees	-	-	-
Transportation fees	-	177,553	177,553
Assigned to:			
Capital projects fund	-	2,410,606	2,410,606
Unassigned	389,122	-	389,122
Total fund balances	<u>908,453</u>	<u>2,588,159</u>	<u>3,496,612</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,304,483</u>	<u>\$ 2,588,159</u>	<u>\$ 4,892,642</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, 2021

Total fund balances - governmental funds:	\$ 3,496,612
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 1,135,873
Construction in progress	-
Water rights	988
Buildings	1,238,312
Improvements	9,935,317
Machinery and equipment	175,137
Accumulated depreciation	<u>(2,797,309)</u>
	9,688,318
Internal service funds are used by management to charge the costs of the vehicle and equipment fund to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	882,001
Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.	(95,167)
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	50,489
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds, but they are reported in the Statement of Net Position.	
Net pension liability	(34,336)
Compensated absences	<u>(17,160)</u>
Net position of governmental activities	<u><u>\$ 13,970,757</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, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 962,599	\$ -	\$ 962,599
Sales taxes	962,696	176,460	1,139,156
Fees-in-lieu of taxes	63,259	-	63,259
Franchise tax	123,048	-	123,048
Licenses and permits	70,713	-	70,713
Intergovernmental	773,865	-	773,865
Charges for services	159,330	-	159,330
Fines and forfeitures	-	-	-
Impact fees	-	18,955	18,955
Miscellaneous revenue	53,447	9,811	63,258
Total revenues	<u>3,168,957</u>	<u>205,226</u>	<u>3,374,183</u>
EXPENDITURES			
Current:			
General government	991,669	-	991,669
Public safety	462,411	-	462,411
Highways and public improvements	513,117	-	513,117
Parks and recreation	172,490	7,991	180,481
Capital outlay:			
General government	34,907	-	34,907
Highways and public improvements	-	-	-
Parks and recreation	-	-	-
Total expenditures	<u>2,174,594</u>	<u>7,991</u>	<u>2,182,585</u>
Excess (deficiency) of revenues over expenditures	<u>994,363</u>	<u>197,235</u>	<u>1,191,598</u>
Other financing sources (uses)			
Transfers in	-	454,270	454,270
Transfers (out)	<u>(754,270)</u>	<u>-</u>	<u>(754,270)</u>
Total other financing sources (uses)	<u>(754,270)</u>	<u>454,270</u>	<u>(300,000)</u>
Net change in fund balances	240,093	651,505	891,598
Fund balances - beginning of year	<u>668,360</u>	<u>1,936,654</u>	<u>2,605,014</u>
Fund balances - end of year	<u><u>\$ 908,453</u></u>	<u><u>\$ 2,588,159</u></u>	<u><u>\$ 3,496,612</u></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, 2021

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

Net changes in fund balances - total governmental funds	\$	891,598
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	\$	-
Infrastructure		-
Park improvements		-
Buildings		-
Machinery and equipment	34,907	
Depreciation expense	<u>(280,717)</u>	(245,810)

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.	160,459
---	---------

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	-
---	---

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.	32,993
--	--------

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.	<u>(2,271)</u>
--	----------------

Change in net position of governmental activities	<u><u>\$ 836,969</u></u>
---	--------------------------

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities - Enterprise Funds					Governmental- Activities Internal Service Fund
<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Storm Water</u>	<u>Total</u>	
Current assets:						
Cash and cash equivalents	\$ 566,535	\$ 374,195	\$ 416,043	\$ 836,629	\$ 2,193,402	\$ 756,820
Accounts receivable	87,138	49,292	34,639	32,647	203,716	-
Special assessments receivable	9,471	-	-	-	9,471	-
Prepaid water	133,957	-	-	-	133,957	-
Total current assets	797,101	423,487	450,682	869,276	2,540,546	756,820
Noncurrent assets:						
Restricted cash and cash equivalents	573,134	-	-	-	573,134	-
Net pension asset	2	-	-	2	4	-
Land	103,875	-	-	-	103,875	-
Construction in progress	-	-	-	-	-	-
Water rights	16,115	-	-	-	16,115	-
Improvements	10,394,024	-	-	3,480,613	13,874,637	-
Machinery and equipment	128,005	-	-	-	128,005	1,162,390
Less: Accumulated depreciation	(2,804,323)	-	-	(703,822)	(3,508,145)	(626,622)
Total noncurrent assets	8,410,832	-	-	2,776,793	11,187,625	535,768
Total assets	9,207,933	423,487	450,682	3,646,069	13,728,171	1,292,588
Deferred outflows of resources - pensions	2,952	-	-	7,636	10,588	-
Total assets and deferred outflows of resources	9,210,885	423,487	450,682	3,653,705	13,738,759	1,292,588
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	88,662	42,178	32,382	-	163,222	378
Compensated absences	8,487	-	-	3,033	11,520	-
Deposits	100	-	-	193,997	194,097	-
Total current liabilities	97,249	42,178	32,382	197,030	368,839	378
Noncurrent liabilities:						
Net pension liability	(20,100)	-	-	3,130	(16,970)	-
Total liabilities	77,149	42,178	32,382	200,160	351,869	378
Deferred inflows of resources - pensions	37,838	-	-	18,354	56,192	-
Total liabilities and deferred inflows of resources	114,987	42,178	32,382	218,514	408,061	378
<u>NET POSITION</u>						
Net investment in capital assets	7,837,696	-	-	2,776,791	10,614,487	535,768
Restricted - Special assessment	228,427	-	-	-	228,427	-
Restricted - Impact fees	344,707	-	-	-	344,707	-
Unrestricted	685,068	381,309	418,300	658,400	2,143,077	756,442
Total net position	\$ 9,095,898	\$ 381,309	\$ 418,300	\$ 3,435,191	13,330,698	\$ 1,292,210
Adjustment for consolidation of Internal Service Fund related to Enterprise Funds					410,207	
Net position of business-type activities					\$ 13,740,905	

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, 2021

	Business-Type Activities - Enterprise Funds					Governmental-Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<u>OPERATING REVENUE</u>						
Charges for service	\$ 983,127	\$ 567,706	\$ 399,804	\$ 378,818	\$ 2,329,455	\$ 152,000
Other	31,871	-	-	-	31,871	-
Total operating revenue	1,014,998	567,706	399,804	378,818	2,361,326	152,000
<u>OPERATING EXPENSES</u>						
Operation and maintenance	119,165	2,786	2,786	51,463	176,200	43,793
Sewage treatment	-	524,881	-	-	524,881	-
Source of supply	257,229	-	-	-	257,229	-
Power and pumping	24,064	-	-	-	24,064	9,591
Depreciation	213,328	-	-	67,991	281,319	96,698
Administrative expense	30,684	20,184	20,184	20,184	91,236	-
Salaries	135,218	-	-	47,838	183,056	-
Employee benefits	61,072	-	-	26,069	87,141	-
Waste collection	-	-	173,661	-	173,661	-
Waste disposal	-	-	214,983	-	214,983	-
Vehicle operation	38,000	-	-	38,000	76,000	-
Total operating expenses	878,760	547,851	411,614	251,545	2,089,770	150,082
Operating income (loss)	136,238	19,855	(11,810)	127,273	271,556	1,918
<u>NONOPERATING REVENUE (EXPENSES)</u>						
Connection fees	1,445	-	-	-	1,445	-
Impact fees	77,489	-	-	28,623	106,112	-
Gain (loss) on sale of asset	-	-	-	-	-	16,097
Interest revenue	4,221	1,319	1,583	3,166	10,289	2,902
Interest expense	-	-	-	-	-	-
Total non operating revenue and expenses	83,155	1,319	1,583	31,789	117,846	18,999
Income (loss) before contributions and transfers	219,393	21,174	(10,227)	159,062	389,402	20,917
Transfers	-	-	-	-	-	300,000
Contributed capital	-	-	-	-	-	-
Changes in net position	219,393	21,174	(10,227)	159,062	389,402	320,917
Net position - beginning	8,876,505	360,135	428,527	3,276,129		971,293
Net position - ending	\$ 9,095,898	\$ 381,309	\$ 418,300	\$ 3,435,191		\$ 1,292,210
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					160,459	
Change in net assets of business-type activities					\$ 549,861	

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, 2021

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Solid Waste	Storm Water	Total	Internal Service Fund
Cash Flows From Operating Activities						
Receipts from customers	\$ 1,011,737	\$ 565,005	\$ 401,416	\$ 397,173	\$ 2,375,331	\$ -
Receipts from interfund services	-	-	-	-	-	152,000
Payments to employees	(149,296)	-	-	(53,355)	(202,651)	-
Payments to suppliers	(388,429)	(529,275)	(391,765)	(80,106)	(1,389,575)	(53,548)
Payments for interfund services used	(68,684)	(20,184)	(20,184)	(58,184)	(167,236)	-
Net cash provided (used) by operating activities	405,328	15,546	(10,533)	205,528	615,869	98,452
Cash Flows From Noncapital Financing Activities						
Impact fee payback	-	-	-	-	-	-
Transfers	-	-	-	-	-	300,000
Net cash provided (used) by noncapital financing activities	-	-	-	-	-	300,000
Cash Flows From Capital and Related Financing Activities						
Receipts for impact fees	77,489	-	-	28,623	106,112	-
Receipts for connection fees	1,445	-	-	-	1,445	-
Proceeds from sale of assets	-	-	-	-	-	169,850
Principal paid on capital debt	-	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-	-
Purchases of capital assets	(531,104)	-	-	(108,108)	(639,212)	(168,435)
Net cash provided (used) by capital and related financing activities	(452,170)	-	-	(79,485)	(531,655)	1,415
Cash Flows From Investing Activities						
Interest and dividends received	4,221	1,319	1,583	3,166	10,289	2,902
Net cash provided (used) by investing activities	4,221	1,319	1,583	3,166	10,289	2,902
Net increase (decrease) in cash and cash equivalents	(42,621)	16,865	(8,950)	129,209	94,503	402,769
Cash and cash equivalents, July 1	1,182,290	357,330	424,993	707,420	2,672,033	354,051
Cash and cash equivalents, June 30	<u>\$ 1,139,669</u>	<u>\$ 374,195</u>	<u>\$ 416,043</u>	<u>\$ 836,629</u>	<u>\$ 2,766,536</u>	<u>\$ 756,820</u>
Cash at June 30th						
Cash and cash equivalents	\$ 566,535	\$ 374,195	\$ 416,043	\$ 836,629	\$ 2,193,402	\$ 756,820
Restricted cash	573,134	-	-	-	573,134	-
Total cash and cash equivalents	<u>\$ 1,139,669</u>	<u>\$ 374,195</u>	<u>\$ 416,043</u>	<u>\$ 836,629</u>	<u>\$ 2,766,536</u>	<u>\$ 756,820</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, 2021

	Business-Type Activities - Enterprise Funds					Governmental Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 136,238	\$ 19,855	\$ (11,810)	\$ 127,273	\$ 271,556	\$ 1,918
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	213,328	-	-	67,991	281,319	96,698
(Increase) decrease in prepaids	(10,685)	-	-	-	(10,685)	-
(Increase) decrease in receivables	(3,261)	2,399	1,612	1,355	2,105	-
Increase (decrease) in payables	83,786	(1,608)	(335)	(2,574)	79,269	(164)
Increase (decrease) in compensated absences	2,241	-	-	316	2,557	-
Increase (decrease) in pension liability	(16,319)	-	-	(5,833)	(22,152)	-
Increase (decrease) in deposits	-	(5,100)	-	17,000	11,900	-
Total adjustments	269,090	(4,309)	1,277	78,255	344,313	96,534
Net cash provided (used) by operating activities	<u>\$ 405,328</u>	<u>\$ 15,546</u>	<u>\$ (10,533)</u>	<u>\$ 205,528</u>	<u>\$ 615,869</u>	<u>\$ 98,452</u>
Noncash Investing, Capital and Financing Activities:						
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
BALANCE SHEET
FIDUCIARY FUNDS
JUNE 30, 2021

	Davis County Storm Water Coalition
ASSETS	
Cash and cash equivalents	\$ 90,922
Due from other governmental units	-
Total assets	<u>\$ 90,922</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,000
Deposits from other governments	89,922
Total liabilities	<u>\$ 90,922</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (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.

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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the City reports the following fund type:

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.

C. Measurement Focus and Basis of Accounting

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, 2021

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, 2021

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 three 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 and *Deferred revenue – CARES act* reports unspent funds received from the Coronavirus Relief Fund. 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, 2021

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, 2021

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, 2021

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, 2021**

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 is 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, 2021

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.

K. Upcoming Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement 87, which amends existing accounting standards for lease accounting, including requiring lessees to recognize most leases on the statement of net position and making certain changes to lessor accounting. The new standard is effective for fiscal years beginning after June 15, 2021. The Government is currently evaluating the impact the new standard may have on its financial statements.

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2021, \$2,496,748 of the City's bank balances of \$2,996,748 was uninsured and uncollateralized.

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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, 2021, the City had the following recurring fair value measurements.

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Utah Public Treasurer's Investment Fund	\$ 4,170,472	\$ -	\$ 4,170,472	\$ -
Total debt securities	\$ 4,170,472	\$ -	\$ 4,170,472	\$ -

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, 2021 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

As of June 30, 2021, 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	4,170,472	4,170,472	-	-	-
	4,170,472	4,170,472	-	-	-

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, 2021, the City's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF Investments	4,170,472	-	-	-	4,170,472
	4,170,472	-	-	-	4,170,472

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, 2021

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	\$ 2,961,479
Petty cash	278
Utility cash clearing	9,473
PTIF investment	4,170,472
Total cash and investments	<u>\$ 7,141,702</u>

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

Cash	\$ 5,962,677
Restricted cash	1,088,103
Coalition deposits on hand	90,922
Total cash and investments	<u>\$ 7,141,702</u>

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES

	Governmental Activities	Enterprise Funds	Total
Receivables:			
Individual accounts	\$ 17,251	\$ 206,315	\$ 223,566
Special assessments	-	9,471	9,471
Sales tax	187,264	-	187,264
State grant	20,159	-	20,159
Transportation tax	17,611	-	17,611
Franchise tax	13,853	-	13,853
Property taxes - current	10,469	-	10,469
Property taxes - unavailable	1,038,258	-	1,038,258
Class C Roads	55,992	-	55,992
	<u>1,360,857</u>	<u>215,786</u>	<u>1,576,643</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>(2,599)</u>	<u>(2,599)</u>
Net total receivables & due from other governments	<u>\$ 1,360,857</u>	<u>\$ 213,187</u>	<u>\$ 1,574,044</u>
Statement of Net Position:			
Accounts receivable	\$ 31,106	\$ 203,716	\$ 234,822
Special assessments	-	9,471	9,471
Due from other governments	1,273,762	-	1,273,762
Due from other governments - restricted	55,989	-	55,989
	<u>\$ 1,360,857</u>	<u>\$ 213,187</u>	<u>\$ 1,574,044</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES (CONTINUED)

	Accounts Payable Due To:		
	Other Governments	Vendors	Total
General Fund	\$ 19,921	\$ 25,280	\$ 45,201
Capital Projects Fund	-	-	-
Water Fund	77,513	11,149	88,662
Sewer Fund	42,178	-	42,178
Solid Waste Fund	-	32,382	32,382
Storm Water Fund	-	-	-
Internal Service Fund	-	378	378
Total	<u>\$ 139,612</u>	<u>\$ 69,189</u>	<u>\$ 208,801</u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Land	\$ 1,135,873	\$ -	\$ -	\$ 1,135,873
Construction In Progress	-	-	-	-
Water rights	988	-	-	988
Total nondepreciated assets	<u>1,136,861</u>	<u>-</u>	<u>-</u>	<u>1,136,861</u>
Depreciated Assets				
Buildings	1,238,312	-	-	1,238,312
Infrastructure	8,302,724	-	-	8,302,724
Improvements	1,632,592	-	-	1,632,592
Vehicles	1,160,175	168,435	(166,220)	1,162,390
Machinery and equipment	140,230	34,907	-	175,137
Total depreciated assets	<u>12,474,033</u>	<u>203,342</u>	<u>(166,220)</u>	<u>12,511,155</u>
Less accumulated depreciation				
Buildings	(655,472)	(33,697)	-	(689,169)
Infrastructure	(1,245,420)	(166,054)	-	(1,411,474)
Improvements	(492,433)	(74,320)	-	(566,753)
Vehicles	(542,390)	(96,698)	12,467	(626,621)
Machinery and equipment	(123,267)	(6,646)	-	(129,913)
Total	<u>(3,058,982)</u>	<u>(377,415)</u>	<u>12,467</u>	<u>(3,423,930)</u>
Net assets depreciated	<u>9,415,051</u>	<u>(174,073)</u>	<u>(153,753)</u>	<u>9,087,225</u>
Governmental activities capital assets, net	<u>\$10,551,912</u>	<u>\$ (174,073)</u>	<u>\$ (153,753)</u>	<u>\$10,224,086</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS (CONTINUED)

PRIMARY GOVERNMENT	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Land	\$ 98,783	\$ 5,092	\$ -	\$ 103,875
Construction In Progress	-	-	-	-
Water rights	16,115	-	-	16,115
Total nondepreciated assets	114,898	5,092	-	119,990
Depreciated Assets				
Improvements-nonbuilding				
Water system	9,427,585	511,382	-	9,938,967
Irrigation water system	455,059	-	-	455,059
Storm water system	3,372,503	108,108	-	3,480,611
Equipment				
Water system	111,037	14,630	-	125,667
Sewer system	2,338	-	-	2,338
Total depreciated assets	13,368,522	634,120	-	14,002,642
Less accumulated depreciation				
Improvements-nonbuilding				
Water system	(2,366,026)	(197,562)	-	(2,563,588)
Irrigation water system	(129,378)	(9,101)	-	(138,479)
Storm water system	(635,832)	(67,991)	-	(703,823)
Equipment		-		
Water system	(93,252)	(6,665)	-	(99,917)
Sewer system	(2,338)	-	-	(2,338)
Total	(3,226,826)	(281,319)	-	(3,508,145)
Net assets depreciated	10,141,696	352,801	-	10,494,497
Business-type activities capital assets, net	\$10,256,593	\$ 357,893	-	\$10,614,487

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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/general/publications.

Benefits Provided:

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

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

* 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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

Contributions:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2021 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Division Tier 2	N/A	15.80%	.89%
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%

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, 2021, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 48,218	N/A
Tier 2 Public Employees System	18,112	-
Tier 2 DC Only System	3,980	N/A
Total Contributions	\$ 70,310	\$ -

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

At June 30, 2021, we reported a net pension asset of \$0 and a net pension liability of \$17,366.

	(Measurement Date): December 31, 2020				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2019	Change (Decrease)
Noncontributory System	\$ -	\$ 16,193	0.0315691%	0.0365862%	(0.0050171)%
Tier 2 Public Employees System	-	1,173	0.0081469%	0.0115573%	(0.0034104)%
	<u>\$ -</u>	<u>\$ 17,366</u>			

The net pension asset and liability were measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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, 2021, we recognized pension expense of \$15,129. At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,803	\$ 537
Changes in assumptions	1,482	2,161
Net difference between projected and actual earnings on pension plan investments	-	121,668
Changes in proportion and differences between contributions and proportionate share of contributions	1,978	26,993
Contributions subsequent to the measurement date	34,814	-
Total	<u>\$ 61,077</u>	<u>\$ 151,359</u>

\$34,814 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, 2020. 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:

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (41,018)
2022	(22,637)
2023	(43,700)
2024	(19,855)
2025	379
Thereafter	1,734

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

For the year ended June 30, 2021, we recognized pension expense of \$3,677. At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,724	\$ -
Changes in assumptions	-	2,118
Net difference between projected and actual earnings on pension plan investments	-	118,243
Changes in proportion and differences between contributions and proportionate share of contributions	-	26,536
Contributions subsequent to the measurement date	24,537	-
Total	<u>\$ 46,261</u>	<u>\$ 146,897</u>

\$24,537 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, 2020. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (40,414)
2022	(22,273)
2023	(42,884)
2024	(19,603)
2025	-
Thereafter	-

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2021, we recognized pension expense of \$11,452. At June 30, 2021, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,079	\$ 537
Changes in assumptions	1,482	43
Net difference between projected and actual earnings on pension plan investments	-	3,425
Changes in proportion and differences between contributions and proportionate share of contributions	1,978	457
Contributions subsequent to the measurement date	10,277	-
Total	<u>\$ 14,816</u>	<u>\$ 4,462</u>

\$10,277 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, 2020. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (605)
2022	(364)
2023	(816)
2024	(252)
2025	379
Thereafter	1,734

Actuarial assumptions:

The total pension liability in the December 31, 2020 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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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	37%	6.30%	2.33%
Debt Securities	20%	0.00%	0.00%
Real Assets	15%	6.19%	0.93%
Private Equity	12%	9.50%	1.14%
Absolute Return	16%	2.75%	0.44%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
		Inflation	2.50%
		Expected arithmetic nominal return	7.34%

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.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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 remained unchanged at 6.95 percent.

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:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 280,741	\$ 16,193	\$ (204,347)
Tier 2 Public Employees System	19,717	1,172	(13,015)
Total	\$ 300,458	\$ 17,365	\$ (217,362)

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

<u>401(k) Plan</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer Contributions	\$ 20,493	\$ 17,586	\$ 19,118
Employee Contributions	1,694	563	7,520

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, 2021, 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, 2021 was \$28,679.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - INTERFUND CHARGES FOR SERVICES

During the year ended June 30, 2021, 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
	\$ 152,000

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
	\$ 64,020

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
	\$ 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.

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 - RESTRICTIONS OF FUND BALANCE/NET POSITION (CONTINUED)

Restricted for Transportation Fees - This represents transportation fees collected and restricted for eligible expenses.

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 st 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
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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 for consolidation of Internal Service Fund 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	\$ 249,748
Internal receivable representing costs in excess of charges to business type activities - current year	160,459
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>\$ 410,207</u></u>

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

As of June 30, 2021, no balances existed between funds.

During the 2021 year transfers were made from the General Fund to the Capital Projects Fund and the Internal Service Fund in order for those resources to be available for expenses incurred in 2021 and committed in 2021. The amount of these transfers was \$454,270 and \$300,000, respectively.

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, 2021

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 968,762	\$ 968,762	\$ 962,599	\$ (6,163)
Fees-in-lieu taxes	50,000	50,000	63,259	13,259
Franchise tax - cable rent	110,000	110,000	123,048	13,048
Sales tax	775,000	775,000	962,696	187,696
Total taxes	1,903,762	1,903,762	2,111,602	207,840
Licenses and permits:				
Business licenses and permits	2,750	2,750	3,310	560
Building permits	45,000	45,000	64,193	19,193
Excavation fee	700	700	3,210	2,510
Total licenses and permits	48,450	48,450	70,713	22,263
Intergovernmental:				
Class "C" roads	200,000	200,000	254,907	54,907
State grants	-	-	16,256	16,256
Local Option Tax	60,000	60,000	89,660	29,660
CARES act	-	533,431	413,042	(120,389)
Total intergovernmental	260,000	793,431	773,865	(19,566)
Charges for services:				
Subdivision and engineering fees	5,500	5,500	20,502	15,002
Inspection fees	30,000	30,000	45,352	15,352
Building rent	27,216	27,216	27,216	-
Administrative services	64,020	64,020	64,020	-
Park fees	2,500	2,500	2,240	(260)
Total charges for services	129,236	129,236	159,330	30,094
Fines and forfeitures	-	-	-	-
Other revenues:				
Interest earnings	19,000	10,500	7,755	(2,745)
Miscellaneous	21,000	21,000	45,692	24,692
Total other revenues	40,000	31,500	53,447	21,947
Total revenues	\$ 2,381,448	\$ 2,906,379	\$ 3,168,957	\$ 262,578

FRUIT HEIGHTS CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Current:				
General government:				
Mayor and council	43,100	43,100	37,893	5,207
Executive	160,325	165,325	128,896	36,429
City Treasurer	84,981	84,981	70,840	14,141
City Recorder	95,050	95,050	18,213	76,837
Professional and technical services	39,000	39,000	39,685	(685)
City Hall operations	16,500	16,500	8,624	7,876
Emergency preparedness	1,250	1,250	942	308
CARES act	-	483,800	364,630	119,170
Non-departmental	269,092	275,092	268,575	6,517
Elections	7,200	7,200	613	6,587
Planning and zoning	79,440	100,440	87,665	12,775
Total general government	<u>795,938</u>	<u>1,311,738</u>	<u>1,026,576</u>	<u>285,162</u>
Public safety:				
Law enforcement	202,240	219,240	218,449	791
Fire protection	220,000	220,000	220,000	-
Protective inspection	24,200	24,200	23,962	238
Total public safety	<u>446,440</u>	<u>463,440</u>	<u>462,411</u>	<u>1,029</u>
Roadways:				
Roads	269,500	364,500	191,943	172,557
Class "C" Roads	462,600	462,600	321,174	141,426
Total roadways	<u>732,100</u>	<u>827,100</u>	<u>513,117</u>	<u>313,983</u>
Parks and recreation:				
Parks	150,900	170,900	170,853	47
Recreation	1,800	2,800	1,637	1,163
Total parks and recreation	<u>152,700</u>	<u>173,700</u>	<u>172,490</u>	<u>1,210</u>
Total expenditures	<u>2,127,178</u>	<u>2,775,978</u>	<u>2,174,594</u>	<u>601,384</u>
Excess (deficiency) of revenues over expenditures	<u>254,270</u>	<u>130,401</u>	<u>994,363</u>	<u>(863,962)</u>
Other financing sources (uses)				
Appropriation of fund balance	-	623,869	-	623,869
Transfers (out)	<u>(254,270)</u>	<u>(754,270)</u>	<u>(754,270)</u>	<u>-</u>
Total other financing sources (uses)	<u>(254,270)</u>	<u>(130,401)</u>	<u>(754,270)</u>	<u>623,869</u>
Net change in fund balance	-	-	240,093	(240,093)
Fund balance - beginning of year	<u>668,360</u>	<u>668,360</u>	<u>668,360</u>	<u>-</u>
Fund balance - end of year	<u>\$ 668,360</u>	<u>\$ 668,360</u>	<u>\$ 908,453</u>	<u>\$ (240,093)</u>

FRUIT HEIGHTS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2021
with a measurement date of December 31, 2020
Last 10 fiscal years*

		Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	2021	0.0315691%	0.0081469%
	2020	0.0365862%	0.0115573%
	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)	2021	\$ 16,193	\$ 1,172
	2020	\$ 137,889	\$ 2,599
	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	2021	\$ 251,192	\$ 130,282
	2020	\$ 296,227	\$ 160,527
	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) as a percentage of its covered-employee payroll	2021	6.45%	0.90%
	2020	46.55%	1.62%
	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 total pension liability	2021	99.2%	98.3%
	2020	93.7%	96.5%
	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 seven years prior.

FRUIT HEIGHTS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
JUNE 30, 2021
with a measurement date of December 31, 2020
Last 10 fiscal years*

	June 30th	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contribution as a percentage of covered employee payroll
Noncontributory System	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%
	2020	47,632	47,632	-	258,213	18.45%
	2021	48,218	48,218	-	261,061	18.47%
Tier 2 Public Employees System*	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%
	2020	24,978	24,978	-	159,499	15.66%
	2021	18,112	18,112	-	114,635	15.80%
Tier 2 Public Employees DC Only System*	2020	2,343	2,343	-	27,530	8.51%
	2021	3,980	3,980	-	59,493	6.69%

* 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, 2021

Changes in Assumptions:

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and Stats" tab.

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, 2021, 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 February 12, 2022.

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.

February 12, 2022
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, 2021.

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

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Governmental Fees

Fruit Heights City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2021.

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, 2021.

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.