

ELK RIDGE CITY  
FINANCIAL STATEMENTS  
JUNE 30, 2023

## TABLE OF CONTENTS

	<u>Page</u>
Financial Section	
Independent Auditor's Report	1
Management Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Basic Financial Statements	23
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	49
Budgetary Comparison Schedule – Future Improvement Fund	50
Notes to Required Supplementary Information	51
Schedule of the Proportionate Share of the Net Pension Liability	53
Schedule of Contributions	54

## TABLE OF CONTENTS

	<u>Page</u>
Supplementary Information	
Governmental Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	57
Combining Balance Sheet – Nonmajor Governmental Funds	61
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	62
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Parks Fund	63
Statement of Revenues and Expenditures – Budget and Actual – Fire Apparatus Capital Projects Fund	64
Statement of Revenues and Expenditures - Budget and Actual – Town Hall/Firestation Capital Projects Fund	65
Statement of Revenues and Expenditures – Budget and Actual – Future Improvements Capital Projects Fund	66
Statement of Revenues and Expenditures – Budget and Actual – Equipment Fund	67
Proprietary Funds:	
Statement of Revenues and Expenditures – Budget and Actual – Water Fund	68
Statement of Revenues and Expenditures – Budget and Actual – Sewer Fund	69
Statement of Revenues and Expenditures – Budget and Actual – Storm Drainage Fund	70
Statement of Revenues and Expenditures – Budget and Actual – Solid Waste Fund	71

## TABLE OF CONTENTS

Governmental Audit Report:	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
State Compliance Report:	
Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the <i>State Compliance Audit Guide</i>	76

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
Members of the City Council  
Elk Ridge City, Utah

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elk Ridge City, Utah (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my 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 the City as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's Responsibility for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, budgetary comparison and pension information on pages 49-54 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. I 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 my inquiries, the basic

financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elk Ridge, Utah, basic financial statements. The accompanying combining nonmajor fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining fund financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated October 31, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

 CPA  
Greg Ogden,  
Certified Public Accountant  
Springville, Utah  
October 31, 2023

## **Management Discussion and Analysis**



ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

As management of Elk Ridge City, we offer, to those interested, this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2023. This overview and analysis is also intended to assist the reader to focus on significant financial issues including identifying changes in the City's financial position. We encourage readers to consider the information presented here in conjunction with the City's financial statements. The City's activities are classified in the following manner: Governmental (General Administration, Public Safety, Streets and Highways, Parks and Recreation); while Business-type activities refer to operations of the Water, Sewer and Storm Drain Funds.

### **FINANCIAL HIGHLIGHTS**

- The City's overall financial condition improved with more homes occupied and the initial start of new subdivisions in the City. The City's net position increased by \$3,047,151 during the year. The increase is explained in more detail later in this document.

### **REPORTING THE CITY AS A WHOLE**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- 1) government-wide financial statements
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also includes other supplementary information in addition to the basic financial statements.

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

- *The statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the residual balance reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating. However, the reader will also have to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.
- Both of the government-wide financial statements distinguish between activities that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on page 11 of this report.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Elk Ridge City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

- *Governmental Funds* – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Future Improvements Capital Projects Fund. The City also has Capital Projects Funds and a Special Revenue Fund; all of which are considered non-major governmental funds.

- *Proprietary Funds* - Elk Ridge City maintains one type of proprietary fund, the enterprise fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Elk Ridge City uses enterprise funds to account for its Water Utility, Sewer Utility and Storm Drain Utility. During the year, the City established a new fund, the Solid Waste Fund, to account for the collection and disposal of solid waste. This activity was previously accounted for in the General Fund.

As determined by generally accepted accounting principles, all of the proprietary funds meet the criteria of major fund classification.

- *Fiduciary Funds* – These funds are used to account for resources held for the benefit of parties outside the government. The City currently has no *fiduciary funds*.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of Elk Ridge City, assets and deferred outflows exceed liabilities and deferred inflows by \$49,023,644.

The largest portion of Elk Ridge City's net position (59%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current and other assets	\$ 11,570,608	13,675,734	7,537,290	8,494,111
Capital assets, net	<u>17,570,608</u>	<u>17,428,972</u>	<u>11,585,137</u>	<u>11,318,564</u>
Total assets	<u>28,959,813</u>	<u>31,104,706</u>	<u>19,122,427</u>	<u>19,812,675</u>
Deferred outflows	<u>35,731</u>	<u>41,252</u>	<u>38,708</u>	<u>44,688</u>
Current liabilities	1,263,870	1,182,710	228,756	236,533
Noncurrent liabilities	<u>-</u>	<u>19,435</u>	<u>-</u>	<u>21,055</u>
Total liabilities	<u>1,263,870</u>	<u>1,202,145</u>	<u>228,756</u>	<u>257,588</u>
Deferred inflows	\$ <u>589,459</u>	<u>516,531</u>	<u>98,101</u>	<u>3,413</u>
Net position:				
Net investment in capital assets	\$ 17,389,205	17,428,972	11,585,137	11,318,564
Restricted for:				
Impact fees	2,407,208	2,504,969	873,526	960,728
Unrestricted	<u>7,345,802</u>	<u>9,493,341</u>	<u>6,375,615</u>	<u>7,317,070</u>
Total net position	\$ <u>27,142,215</u>	<u>29,427,282</u>	<u>18,834,278</u>	<u>19,596,362</u>

**GOVERNMENTAL ACTIVITIES**

The City's financial condition improved primarily because of three reasons: 1) the City collected development fees related to new subdivisions, 2) the City's sales taxes and franchise fees increased as the population increased, 3) the City received grant funding to help recover from the pandemic and 4) the City benefitted from higher interest rates.

Governmental activities net position increased by \$2,285,067 for the current fiscal year. Key elements of this increase are as follows:

- Developer fees related to new subdivision development increased compared to the prior year as developers started the process for new subdivisions. However, development related fees for new houses (building permits, impact fees) decreased as less homes started construction. Sales tax and franchise taxes also increased compared to the prior year as the population increased. The City also received grant funds for pandemic relief.
- Overall, expenses were consistent with the prior year. However, the City determined that zoning and building inspections should be classified as public safety. As a result, general government expenses were lower and public safety expenses increased.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Revenues				
Program revenues				
Charges for services	\$ 639,771	862,532	2,761,496	3,080,029
Operating grants and contributions	473,859	513,043	-	-
Capital grants and contributions	-	-	142,263	-
General revenues				
Property taxes	557,715	574,207	-	-
Sales and use taxes	859,683	929,618	-	-
Franchise taxes	167,221	276,689	-	-
Other revenues	<u>100,209</u>	<u>455,864</u>	<u>57,902</u>	<u>246,473</u>
Total revenues	\$ <u>2,798,458</u>	<u>3,611,953</u>	<u>2,961,661</u>	<u>3,326,502</u>
Expenses				
General government	\$ 341,141	21,427	-	-
Public safety	315,048	706,286	-	-
Streets/highways	563,147	473,595	-	-
Parks & recreation	116,860	125,578	-	-
Interest	-	-	-	-
Water	-	-	932,112	1,004,015
Sewer	-	-	878,202	1,120,851
Solid Waste	-	-	333,097	353,891
Storm drain	<u>-</u>	<u>-</u>	<u>78,118</u>	<u>85,661</u>
Total expenses	\$ <u>1,336,196</u>	<u>1,326,886</u>	<u>2,221,529</u>	<u>2,564,418</u>
Change in net position before transfers	\$ 1,462,262	2,285,067	740,132	762,084
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,462,262	2,285,067	740,132	762,084
Net position beginning	<u>25,679,953</u>	<u>27,142,215</u>	<u>18,094,146</u>	<u>18,834,278</u>
Net position ending	<u>\$27,142,215</u>	<u>29,427,282</u>	<u>18,834,278</u>	<u>19,596,362</u>

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

**BUSINESS-TYPE ACTIVITIES**

Business-type activities net position increased by \$762,084. Key elements of this increase are as follows:

- The City benefitted from higher interest rates on cash equivalent balances.
- The City's charges for services increased as more houses were occupied during the year resulting in new charges. Sewer fees also increased as the City passed through rate increases from other cities for sewer treatment.
- Expenses mostly increased with higher utility costs, inflation and higher rates charged by other cities for sewer treatment.

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

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2023, the City's governmental funds (General, Capital Projects and Special Revenue) reported combined fund equity of \$11,979,642. This represents an increase of \$2,235,990 from last year's ending balances.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be a large source of revenue in the General Fund and represent 46% of total general fund revenues. This compares with 50% for 2022. License and permit fee revenue decreased as housing construction decreased compared to the last year. Charges for services increased as new subdivision development started and incurred fees. Interest revenue increased because the interest rate adjusted up during the year. The City reclassified zoning and building inspection costs from general government to public safety for the financial statements. In addition, the City implemented procedures to fully allocate development related costs. The City was able to perform several road maintenance projects that were delayed from the prior year.

As stated earlier, the City maintains four enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

Charges for services increased due to more homes occupied and sewer fee increases. The City also benefited from higher interest rates. Sewer expenses increase based on those same connections because the City must pay Payson City or Salem City for those connections. All of the funds incurred higher expense as inflation was present during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budget is constantly reviewed by the Mayor, the City Council and the office staff. Typically, there is a mid-year amendment to the budget and then again at the end of the fiscal year, in June. Many adjustments are minor and simply reflect keeping current with year-to-date actual revenues and expenditures; however, some adjustments are of greater significance.

ELK RIDGE CITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2023

During the fiscal year, the City increased budgeted revenues by approximately \$912,000. The increases related to sales tax and franchise taxes, development fees and the interest income. The City increased the expenditure budgets by approximately \$82,000. The changes to expense budgets related to fully allocating development costs and moving the development costs from general government expenses to public safety expenses.

The City authorized transfers to the capital project funds to provide funding for future capital outlays.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets – Elk Ridge City’s investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$28,747,536 (net of accumulated depreciation of \$11,423,434). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, etc.), and machinery and equipment. The decrease in the City’s investment in fixed assets from the previous year was approximately \$227,000. Depreciation expense was approximately \$1,045,000. The key asset additions were final construction on a new salt shed and on a combined road, water and sewer line reconstruction. The City also purchased a new dump truck and made improvements to the water system.

Long-term debt – As of June 30, 2023, the City had a total debt outstanding of \$ -0-, compared with \$-0- as of June 30, 2022. The City did not issue any new debt during the year.

**REQUESTS FOR INFORMATION**

This report is designed to provide a general overview of Elk Ridge City’s finances for all those with an interest in the City’s finances. Questions concerning any information provided in this report or requests for additional information should be addressed to: Finance Director, Elk Ridge City, 80 E. Park Drive, Elk Ridge, UT 84651.

## **Basic Financial Statements**

ELK RIDGE CITY  
STATEMENT OF NET POSITION  
June 30, 2023

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 12,288,262	7,227,132	19,515,394
Pooled cash and cash equivalents	219,832	881,027	1,100,859
Accounts receivable, net	14,859	385,952	400,811
Due from other governments	764,368	-	764,368
Prepaid expenses	81	-	81
Restricted assets:			
Cash and cash equivalents	388,332	-	388,332
Net pension asset	-	-	-
Land	6,741,756	270,562	7,012,318
Water rights	-	655,527	655,527
Construction in progress	178,681	-	178,681
Buildings	1,591,421	-	1,591,421
Improvements other than buildings	537,744	-	537,744
Machinery and equipment	1,435,580	-	1,435,580
Infrastructure	12,328,969	-	12,328,969
Structures and systems	-	16,430,730	16,430,730
Accumulated depreciation	(5,385,179)	(6,038,255)	(11,423,434)
 Total assets	 31,104,706	 19,812,675	 50,917,381
<u>Deferred Outflow of Resources</u>			
Pension related	41,252	44,688	85,940
<u>Liabilities</u>			
Accrued expenses	241,478	211,108	452,586
Deposits due customers	-	25,425	25,425
Contractor deposits	388,332	-	388,332
Contractor performance bonds	552,900	-	552,900
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	19,435	21,055	40,490
 Total liabilities	 1,202,145	 257,588	 1,459,733
<u>Deferred Inflow of Resources</u>			
Pension related	3,149	3,413	6,562
Revenues for future periods	513,382	-	513,382
 Total deferred inflow of resources	 516,531	 3,413	 519,944
<u>Net Position</u>			
Net investment in capital assets	17,428,972	11,318,564	28,747,536
Restricted for:			
Impact fees	2,504,969	960,728	3,465,697
Unrestricted	9,493,341	7,317,070	16,810,411
 Total net position	 \$ 29,427,282	 19,596,362	 49,023,644

The accompanying notes are an integral  
part of these financial statements



ELK RIDGE CITY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 21,427	1,881	256,525	-	236,979	-	236,979
Public safety	706,286	805,647	2,514	-	101,875	-	101,875
Streets/highways	473,595	29,736	243,954	-	(199,905)	-	(199,905)
Parks and recreation	125,578	25,268	10,050	-	(90,260)	-	(90,260)
Total governmental activities	\$ 1,326,886	862,532	513,043	-	48,689	-	48,689
Business-type activities:							
Water	\$ 1,004,015	1,353,562	-	-	-	349,547	349,547
Sewer	1,120,851	1,277,375	-	-	-	156,524	156,524
Solid Waste	353,891	350,069	-	-	-	(3,822)	(3,822)
Storm Drain	85,661	99,023	-	-	-	13,362	13,362
Total business-type activities	\$ 2,564,418	3,080,029	-	-	-	515,611	515,611
Total primary government	\$ 3,891,304	3,942,561	513,043	-	48,689	515,611	564,300
General revenues:							
Taxes:							
					\$		
Sales and use tax					929,618	-	929,618
Franchise tax					276,689	-	276,689
Property tax					574,207	-	574,207
Other taxes					-	-	-
Total taxes					1,780,514	-	1,780,514
Investment income					413,864	246,473	660,337
Gain (loss) on disposal of assets					42,000	-	42,000
Total general revenues and transfers					2,236,378	246,473	2,482,851
Change in net position					2,285,067	762,084	3,047,151
Net position—beginning					27,142,215	18,834,278	45,976,493
Net position —ending					\$ 29,427,282	19,596,362	49,023,644

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	<u>General</u>	<u>Future Improvements Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Pooled cash and cash equivalents	\$ 164,795	12,519	42,518	219,832
Cash and cash equivalents	3,061,983	6,732,461	2,493,818	12,288,262
Accounts receivable, net	14,859	-	-	14,859
Due from other governments	764,368	-	-	764,368
Restricted assets:				
Cash and cash equivalents	388,332	-	-	388,332
Prepaid expenses	81	-	-	81
Total assets	<u>\$ 4,394,418</u>	<u>6,744,980</u>	<u>2,536,336</u>	<u>13,675,734</u>
<u>Liabilities</u>				
Accrued expenses	\$ 241,478	-	-	241,478
Contractor deposits	388,332	-	-	388,332
Contractor performance bonds	552,900	-	-	552,900
Total liabilities	<u>1,182,710</u>	<u>-</u>	<u>-</u>	<u>1,182,710</u>
<u>Deferred Inflow of Resources</u>				
Revenues for future periods	<u>513,382</u>	<u>-</u>	<u>-</u>	<u>513,382</u>
<u>Fund balances</u>				
Non-spendable	81	-	-	81
Restricted for:				
Bond requirements	-	-	-	-
Impact fees	1,502,496	-	1,002,473	2,504,969
Assigned	-	6,744,980	1,533,863	8,278,843
Unassigned	1,195,749	-	-	1,195,749
Total fund balances	<u>2,698,326</u>	<u>6,744,980</u>	<u>2,536,336</u>	<u>11,979,642</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 4,394,418</u>	<u>6,744,980</u>	<u>2,536,336</u>	<u>13,675,734</u>

The accompanying notes are an integral  
part of these financial statements

ELK RIDGE CITY  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
For the Year Ended June 30, 2023

Total fund balances of governmental funds	\$	11,979,642
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$	6,741,756	
Construction in progress		178,681	
Infrastructure		12,328,969	
Buildings		1,591,421	
Improvements		537,744	
Machinery and equipment		1,435,580	
Accumulated depreciation		<u>(5,385,179)</u>	17,428,972

Required recording of the net pension liability and related deferred inflows and outflows are not current financial resources and therefore are not reported in the funds.

Deferred outflow of resources		41,252
Deferred inflow of resources		(3,149)
Net pension liability		(19,435)

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	-	-	
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Net position of governmental activities	\$	<u><u>29,427,282</u></u>
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The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2023

	General	Future Improvements Fund	Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 1,780,514	-	-	1,780,514
Licenses and permits	151,706	-	-	151,706
Intergovernmental	491,882	-	-	491,882
Charges for services	1,204,926	-	21,537	1,226,463
Interest	131,311	199,800	82,753	413,864
Miscellaneous	64,014	-	-	64,014
Total revenues	<u>3,824,353</u>	<u>199,800</u>	<u>104,290</u>	<u>4,128,443</u>
Expenditures:				
Operating:				
General government	521,247	-	-	521,247
Public safety	651,240	-	-	651,240
Streets/highways	104,486	-	-	104,486
Sanitation	-	-	-	-
Parks and recreation	86,824	-	-	86,824
Capital outlay:				
General government	-	-	-	-
Public safety	-	-	-	-
Streets/highways	342,744	185,912	-	528,656
Parks and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,706,541</u>	<u>185,912</u>	<u>-</u>	<u>1,892,453</u>
Excess (deficiency) of revenues over expenditures	<u>2,117,812</u>	<u>13,888</u>	<u>104,290</u>	<u>2,235,990</u>
Other financing sources (uses):				
Transfers in	-	1,400,000	193,073	1,593,073
Transfers out	(1,593,073)	-	-	(1,593,073)
Total other financing sources (uses)	<u>(1,593,073)</u>	<u>1,400,000</u>	<u>193,073</u>	<u>-</u>
Change in fund balance	524,739	1,413,888	297,363	2,235,990
Fund balance - July 1	<u>2,173,587</u>	<u>5,331,092</u>	<u>2,238,973</u>	<u>9,743,652</u>
Fund balance - June 30	<u>\$ 2,698,326</u>	<u>6,744,980</u>	<u>2,536,336</u>	<u>11,979,642</u>

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE 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, 2023

Net change in fund balance of governmental funds	\$	2,235,990
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$528,656) exceeded depreciation expense (\$488,888) in the current period.

		39,768
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Governmental funds do not report the contribution of capital assets from third parties. However, the Statement of Activities reports these third party contributions as capital grants and contributions.

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Governmental funds are not required to report the changes in net pension liability and the related adjustments to pension expense. These amounts are reported in the Statement of Activities.

		9,309
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Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayment of bond and capital lease principal are expenditures in the governmental funds.

Principal payment on bonds	-	-	
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Change in net position of governmental activities	\$	2,285,067
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The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Drain Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 4,861,021	1,716,285	647,114	2,712	7,227,132
Pooled cash and cash equivalents	494,841	277,650	64,376	44,160	881,027
Accounts receivable, net	250,716	108,897	6,023	20,316	385,952
Total current assets	<u>5,606,578</u>	<u>2,102,832</u>	<u>717,513</u>	<u>67,188</u>	<u>8,494,111</u>
Noncurrent assets:					
Net pension asset	-	-	-	-	-
Water rights	655,527	-	-	-	655,527
Land	114,039	12,539	143,984	-	270,562
Structures and systems	11,139,237	3,740,738	1,550,755	-	16,430,730
Accumulated depreciation	(4,297,779)	(1,361,635)	(378,841)	-	(6,038,255)
Total noncurrent assets	<u>7,611,024</u>	<u>2,391,642</u>	<u>1,315,898</u>	<u>-</u>	<u>11,318,564</u>
Total assets	<u>\$ 13,217,602</u>	<u>4,494,474</u>	<u>2,033,411</u>	<u>67,188</u>	<u>19,812,675</u>
<u>Deferred Outflow of Resources</u>					
Pension related	<u>36,096</u>	<u>8,592</u>	<u>-</u>	<u>-</u>	<u>44,688</u>
<u>Liabilities</u>					
Current liabilities:					
Accrued expenses	\$ 90,970	85,811	7,001	27,326	211,108
Deposits due customers	25,425	-	-	-	25,425
Total current liabilities	<u>116,395</u>	<u>85,811</u>	<u>7,001</u>	<u>27,326</u>	<u>236,533</u>
Noncurrent liabilities:					
Net pension liability	<u>17,006</u>	<u>4,049</u>	<u>-</u>	<u>-</u>	<u>21,055</u>
Total liabilities	<u>133,401</u>	<u>89,860</u>	<u>7,001</u>	<u>27,326</u>	<u>257,588</u>
<u>Deferred Inflow of Resources</u>					
Pension related	<u>2,756</u>	<u>657</u>	<u>-</u>	<u>-</u>	<u>3,413</u>
<u>Net Position</u>					
Net investment in capital assets	7,611,024	2,391,642	1,315,898	-	11,318,564
Restricted:					
Impact fees	478,333	482,395	-	-	960,728
Unrestricted	5,028,184	1,538,512	710,512	39,862	7,317,070
Total net position	<u>\$ 13,117,541</u>	<u>4,412,549</u>	<u>2,026,410</u>	<u>39,862</u>	<u>19,596,362</u>

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Storm Drain Fund	Solid Waste Fund	Total Proprietary Funds
Operating revenues:					
Charges for services	\$ 1,282,188	1,267,498	99,023	350,069	2,998,778
Connection fees	4,500	1,800	-	-	6,300
Miscellaneous income	15,997	-	-	-	15,997
Total operating revenues	1,302,685	1,269,298	99,023	350,069	3,021,075
Operating expenses:					
Administrative fee	374,010	89,050	26,715	26,715	516,490
Current expenses	231,295	916,366	17,219	327,176	1,492,056
Depreciation	398,710	115,435	41,727	-	555,872
Total operating expenses	1,004,015	1,120,851	85,661	353,891	2,564,418
Operating income (loss)	298,670	148,447	13,362	(3,822)	456,657
Non-operating revenues (expenses):					
Impact fees	50,877	8,077	-	-	58,954
Water rights	-	-	-	-	-
Refund by SUVMWA	-	-	-	-	-
Interest income	165,470	58,297	22,706	-	246,473
Gain on sale of assets	-	-	-	-	-
Non-operating revenues (expenses)	216,347	66,374	22,706	-	305,427
Income (loss) before contributions and transfers	515,017	214,821	36,068	(3,822)	762,084
Transfers in (out)	-	-	-	-	-
Capital contributions	-	-	-	-	-
Change in net position	515,017	214,821	36,068	(3,822)	762,084
Net position - July 1	12,602,524	4,197,728	1,990,342	43,684	18,834,278
Net position - June 30	\$ 13,117,541	4,412,549	2,026,410	39,862	19,596,362

The accompanying notes are an integral part  
of these financial statements.

ELK RIDGE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Drain Fund</u>	<u>Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
<u>Cash flows from operating activities:</u>					
Receipts from customers and users	\$ 1,216,617	1,218,688	99,169	351,767	2,886,241
Payments to suppliers	(227,472)	(921,748)	(13,373)	(330,270)	(1,492,863)
Payments for interfund services used	(374,010)	(89,050)	(26,715)	(26,715)	(516,490)
Net cash provided by operating activities	615,135	207,890	59,081	(5,218)	876,888
<u>Cash flows from non-capital financing activities:</u>					
Refund from SUVMWA	-	-	-	-	-
Contribution to other governments	-	-	-	-	-
Net cash provided (used) by non-capital financing activities	-	-	-	-	-
<u>Cash flows from capital financing activities:</u>					
Acquisition and construction of capital assets	(246,731)	(42,568)	-	-	(289,299)
Impact fees	50,877	8,077	-	-	58,954
Proceeds from sale of assets	-	-	-	-	-
Capital contributions	-	-	-	-	-
Net cash provided (used) by capital financing activities	(195,854)	(34,491)	-	-	(230,345)
<u>Cash flows from investing activities:</u>					
Interest on investments	165,470	58,297	22,706	-	246,473
Net cash provided by investing activities	165,470	58,297	22,706	-	246,473
Net increase (decrease) in cash and cash equivalents	584,751	231,696	81,787	(5,218)	893,016
Cash and cash equivalents - July 1	4,771,111	1,762,239	629,703	52,090	7,215,143
Cash and cash equivalents - June 30	\$ 5,355,862	1,993,935	711,490	46,872	8,108,159

(continued)

The accompanying notes are an integral  
part of these financial statements



(continued)

ELK RIDGE CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm Drain Fund</u>	<u>Storm Drain Fund</u>	<u>Total Proprietary Funds</u>
Shown in Statement of Net Position as:					
Cash and cash equivalents	\$ 4,861,021	1,716,285	647,114	2,712	7,227,132
Pooled cash and cash equivalents	494,841	277,650	64,376	44,160	881,027
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,355,862</u>	<u>1,993,935</u>	<u>711,490</u>	<u>46,872</u>	<u>8,108,159</u>
Supplemental disclosures:					
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ <u>298,670</u>	<u>148,447</u>	<u>13,362</u>	<u>(3,822)</u>	<u>456,657</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	398,710	115,435	41,727	-	555,872
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(84,568)	(50,610)	146	1,698	(133,334)
Increase (decrease) in accrued expenses	11,969	(3,444)	3,846	(3,094)	9,277
Net change in pension liability accounts	(8,146)	(1,938)	-	-	(10,084)
Decrease in deposits due customers	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Total adjustments	<u>316,465</u>	<u>59,443</u>	<u>45,719</u>	<u>(1,396)</u>	<u>420,231</u>
Net cash provided by operating activities	<u>\$ 615,135</u>	<u>207,890</u>	<u>59,081</u>	<u>(5,218)</u>	<u>876,888</u>

The accompanying notes are an integral  
part of these financial statements

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## **Notes to the Basic Financial Statements**

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The financial statements of Elk Ridge City (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the City are discussed below.

**Financial Reporting Entity**

The City operates as an incorporated governmental entity within the State of Utah. The City operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), streets, recreation, public improvements, planning and zoning, general administrative services, as well as water, sewer, sanitation and storm drain utilities.

The City's basic financial statements include the accounts of all City operations. The accounting policies of the City conform to generally accepted accounting principles.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

**Basic Financial Statements - Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, streets and public improvements, recreation, planning and zoning and general administrative services are classified as governmental activities. The City's water, sewer, solid waste (sanitation) and storm drainage services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

Governmental activities are usually 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.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**Basic Financial Statements – Fund Statements**

The City's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes. Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

The following fund types are used by the City:

*Governmental Funds*

The focus of the governmental funds (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the City's governmental funds.

- The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The **Special Revenue Funds** are used to account for the proceeds of specific revenues.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

- The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition of capital facilities and equipment by the City.

The City's major governmental funds consist of the following:

**General Fund** - see description above.

**Future Improvements Fund** – capital projects fund for acquisitions or construction.

The City's nonmajor governmental funds consist of a special revenue fund that collects impact fees and other resources for park development and maintenance and other capital project funds that accumulate resources for the future replacement and construction of capital assets.

*Proprietary Funds*

The focus of proprietary funds is upon determination of operating income, changes in net position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City's major enterprise funds consist of the following:

**Water Fund** - This fund accounts for the water services provided to City residents.

**Sewer Fund** - This fund accounts for the sewer services provided to City residents.

**Storm Drain Fund** – This fund accounts for the storm water drainage services provided to City residents.

**Solid Waste Fund** – This fund accounts for the sanitation collection and disposal service provided to the City.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

*Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

**Financial Statement Amounts**

*Cash and cash equivalents*

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

*Interfund Receivables and Payables*

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

*Accounts Receivable and Due From Other Governments*

Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and other fees. Business-type activities report receivables for utility service fees.

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Buildings	20 to 40 years
Water, sewer, and storm drain improvements	15 to 50 years
Equipment	5 to 20 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

*Capitalized Interest*

The City capitalizes net interest costs as part of the cost of construction for proprietary capital projects when material.

*Compensated Absences*

The City's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a liability for compensated absences while proprietary funds report the liability as it is incurred. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is insignificant.



ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

*Long-term Debt*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of bonds payable, capital leases payable, notes payable, and accrued compensated absences. The City uses the general fund to liquidate long-term debt related to governmental activities.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

*Financial Statement Amounts*

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item related to pensions that is the result of actuarial calculations.

In addition to liabilities, the statement of financial 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 a future period and will not be recognized as an inflow of resources (revenue) until that time. One item, property taxes, is reported in the governmental funds balance sheet as a deferred inflow of resources due to the property taxes being recognized as receivables prior to the period for which the taxes are levied. These amounts are also reported as deferred inflows of resources on the government-wide statement of position. The City also has one item related to pensions that is the result of actuarial calculations.

*Equity Classifications*

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

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

- Restricted net position - Consists of net position with constraints placed on its use whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Equity in the Governmental Fund statements is required to be separated into the following categories, with the applicable definition:

- Nonspendable - Amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to remain intact;
- Restricted - Amounts constrained to specific purposes by their provider, through constitutional provisions, or enabling legislation;
- Committed - Amounts constrained to a specific purpose by the government itself, using its highest level of decision-making authority, used first for unrestricted expenditures;
- Assigned - Amounts a government intends to use for a specific purpose: intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (for the City, this authority has been delegated to the management of the City by Council resolution), used after committed funds are exhausted for unrestricted expenditures;
- Unassigned - Amounts that are available for any purpose.

As required by State law, the City is required to maintain a minimum of 5% and a maximum of 35% of the General Fund revenues in unassigned, assigned or committed fund balance.

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

*Revenues*

Property taxes, franchise taxes, licenses, fees-in-lieu of taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu of taxes associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the City receives cash. Grants are usually reimbursable grants and are thus recognized as revenue at the time the expenditures are made.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In addition, other revenues that do not result from providing services are reported as non-operating revenues.

*Expenses/Expenditures*

When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first.

For proprietary fund financial statements, operating expenses are those that result from providing services to customers.

*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.

*Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

**Property Tax Calendar**

A lien is placed on all property as of January 1 each year. Utah County assesses all taxable property other than centrally assessed property, which is assessed through the State, by May 22 of each year. The City must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 2 – Deposits and 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 by the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

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

At June 30, 2023, the City's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Cash and cash equivalents:				
Cash on hand	\$ -	-	73,462	73,462
Public Treasurer's Investment Pool	\$ -	19,441,932	-	19,441,932
Total cash and cash equivalents	\$ -	19,441,932	73,462	19,515,394
Pooled cash and cash equivalents:				
Demand deposits	\$ 1,100,859	-	-	1,100,859
Total pooled cash and cash equivalents	\$ 1,100,859	-	-	1,100,859
Restricted cash and cash equivalents:				
Demand deposits	\$ 388,332	-	-	388,332
Total restricted cash and cash equivalents	\$ 388,332	-	-	388,332
Total all deposits and investments	\$ 1,489,191	19,441,932	73,462	21,004,585

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2023, \$873,695 of the City's bank balances of \$1,512,027 was uninsured and uncollateralized.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 2 – Deposits and Investments (continued)

**Investments**

The Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of 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, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other 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 Act; and the State Public Treasurer’s 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.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. 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 proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated 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. As of June 30, 2023, all investments held by the City are in the PTIF, which has a maturity of less than 1 year.

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, 2023, the City determined that all the investments are Level 2 investments.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 2 – Deposits and Investments (continued)

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all City investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

*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 exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2023, all investments held by the City are in the PTIF which is unrated.

*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 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*

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2023, the City had no investment subject to custodial risk.

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 4 - Capital Assets

Capital asset changes occurring for the year ended June 30, 2023, are as follows:

	July 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	June 30, <u>2023</u>
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Construction in progress	\$ 365,485	361,138	-	(547,942)	178,681
Land	<u>6,741,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,741,756</u>
Total capital assets not being depreciated	<u>7,107,241</u>	<u>361,138</u>	<u>-</u>	<u>(547,942)</u>	<u>6,920,437</u>
Capital assets being depreciated:					
Buildings	1,073,479	-	-	517,942	1,591,421
Improvements other than buildings	537,744	-	-	-	537,744
Machinery and equipment	1,386,788	167,518	(148,726)	30,000	1,435,580
Infrastructure	<u>12,328,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,328,969</u>
Total capital assets being depreciated	<u>15,326,980</u>	<u>167,518</u>	<u>(148,726)</u>	<u>547,942</u>	<u>15,893,714</u>
Accumulated depreciation for:					
Buildings	(313,163)	(34,990)	-	-	(348,153)
Improvements other than buildings	(272,881)	(23,860)	-	-	(296,741)
Machinery and equipment	(829,981)	(121,289)	148,726	-	(802,544)
Infrastructure	<u>(3,628,991)</u>	<u>(308,750)</u>	<u>-</u>	<u>-</u>	<u>(3,937,741)</u>
Total accumulated depreciation	<u>(5,045,016)</u>	<u>(488,889)</u>	<u>148,726</u>	<u>-</u>	<u>(5,385,179)</u>
Total capital assets being depreciated, net	<u>10,281,964</u>	<u>(321,371)</u>	<u>-</u>	<u>547,942</u>	<u>10,508,535</u>
Total governmental activities capital assets, net	<u>\$17,389,205</u>	<u>39,767</u>	<u>-</u>	<u>-</u>	<u>17,428,972</u>

ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 4 - Capital Assets (continued)

	<u>July 1,</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30,</u> <u>2023</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Water rights	\$ 655,527	-	-	-	655,527
Construction in progress	905,450	14,796	-	(810,048)	110,198
Land	<u>270,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,562</u>
Total capital assets not being depreciated	<u>1,831,539</u>	<u>14,796</u>	<u>-</u>	<u>(810,048)</u>	<u>1,036,287</u>
Capital assets being depreciated:					
Structures and systems	<u>15,277,701</u>	<u>274,504</u>	<u>(41,721)</u>	<u>810,048</u>	<u>16,320,532</u>
Total capital assets being depreciated	<u>15,277,701</u>	<u>274,504</u>	<u>(41,721)</u>	<u>810,048</u>	<u>16,320,532</u>
Accumulated depreciation for:					
Structures and systems	<u>(5,524,103)</u>	<u>(555,873)</u>	<u>41,721</u>	<u>-</u>	<u>(6,038,255)</u>
Total accumulated depreciation	<u>(5,524,103)</u>	<u>(555,873)</u>	<u>41,721</u>	<u>-</u>	<u>(6,038,255)</u>
Total capital assets being depreciated, net	<u>9,753,598</u>	<u>(281,369)</u>	<u>-</u>	<u>810,048</u>	<u>10,282,277</u>
Total business-type activities capital assets, net	<u>\$11,585,137</u>	<u>(266,573)</u>	<u>-</u>	<u>-</u>	<u>11,318,564</u>

Depreciation expense was charged to governmental activities-related functions of the City as follows:

General government	\$ 25,979
Streets and highways	369,109
Public safety	55,046
Parks and recreation	<u>38,754</u>
Total depreciation expense	<u>\$ 488,888</u>



ELK RIDGE CITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 5 - Refundable Deposits

The City requires a security deposit for utility services. The deposit, reported as a liability in the water fund, covers garbage pickup, water charges, and sewer services. Security deposits in the water utility fund of \$25,425 were held by the City at June 30, 2023.

The City also requires that developers provide a guarantee deposit to insure that improvements are completed. After all improvements have been made, the deposit is refunded. Contractor deposits of \$388,332 were held by the City as of June 30, 2023 in the general fund. In addition, the City also held \$552,900 in performance bonds.

Note 6 - Long-Term Debt

Long-term liability activity for fiscal year ending June 30, 2023, was as follows:

*Governmental Activities*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Bonds payable	\$ -	-	-	-	-
Governmental activity long-term liabilities	\$ -	-	-	-	-

*Business Type Activities*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Bonds payable:					
Revenue bonds	\$ -	-	-	-	-
Business-type activity long-term liabilities	\$ -	-	-	-	-

*Governmental Activities*

As of the end of the year, there was no long-term debt outstanding for the governmental activities.

*Business-type Activities*

There was no long-term debt outstanding for the business-type activities as of June 30, 2023.