

CITY OF HARRISVILLE

**Financial Statements
and
Independent Auditor's Report**

For the Year Ended June 30, 2023

CITY OF HARRISVILLE

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Financial Section



COMMITTED. EXPERIENCED. TRUSTED.

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor and Members of the City Council
City of Harrisville, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Harrisville, Utah (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City’s 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the pension schedules on pages 55-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information 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*, we have also issued our report dated January 8, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

HBMC, LLC

January 8, 2024

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Basic Financial Statements

CITY OF HARRISVILLE
Statement of Activities
For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary government:							
Governmental activities							
General government	\$ 1,184,363	\$ 49,427	\$ 406,653	\$ -	\$ (728,283)		\$ (728,283)
Public safety	1,825,488	135,884	35,224	14,945	(1,639,435)		(1,639,435)
Community development	30,265	204,217	-	-	173,952		173,952
Highways and public improvements	682,293	80,306	248,698	891,098	537,809		537,809
Parks and recreation	580,684	8,959	39,529	78,873	(453,323)		(453,323)
Debt service - interest and fiscal charges	323,883	-	-	-	(323,883)		(323,883)
Total governmental activities	4,626,976	478,793	730,104	984,916	(2,433,163)		(2,433,163)
Business-type activities							
Sewer	615,648	736,746	-	199,363		\$ 320,461	320,461
Storm Water	437,859	357,286	-	265,255		184,682	184,682
Street Lights	36,332	31,868	-	-		(4,464)	(4,464)
Garbage	538,983	509,687	-	-		(29,296)	(29,296)
Total business-type activities	1,628,822	1,635,587	-	464,618		471,383	471,383
Total primary government	\$ 6,255,798	\$ 2,114,380	\$ 730,104	\$ 1,449,534	(2,433,163)	471,383	(1,961,780)
General revenues and transfers:							
General Revenues:							
Taxes							
Property					1,009,828	-	1,009,828
Sales					2,131,326	-	2,131,326
Franchise					417,108	-	417,108
Interest					521,187	86,796	607,983
Miscellaneous					119,494	22,100	141,594
Transfers - net					277,400	(277,400)	-
Total general revenue and transfers					4,476,343	(168,504)	4,307,839
Change in net position					2,043,180	302,879	2,346,059
Net position - beginning as restated					10,637,993	4,958,801	15,596,794
Net position - ending					\$ 12,681,173	\$ 5,261,680	\$ 17,942,853

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Four Mile Special Service District (nonmajor)	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,683,672	\$ 1,141,871	\$ 80	\$ 5,825,623
Accounts receivable	1,438,657	-	-	1,438,657
Prepaid expenses	94,821	-	-	94,821
Restricted cash and cash equivalents	160,000	15,366,377	-	15,526,377
Total assets	\$ 6,377,150	\$ 16,508,248	\$ 80	\$ 22,885,478
<u>LIABILITIES</u>				
Accounts payable	\$ 251,602	\$ 56,279	\$ -	\$ 307,881
Accrued liabilities	101,531	-	-	101,531
Developer and customer deposits	160,000	-	-	160,000
Total liabilities	513,133	56,279	-	569,412
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred property taxes	961,736	-	-	961,736
Total deferred inflows of resources	961,736	-	-	961,736
<u>FUND BALANCES</u>				
Nonspendable	94,821	-	-	94,821
Restricted:				
Class C roads and road projects	1,442,148	-	-	1,442,148
Park development	379,324	-	-	379,324
Transportation fees	83,685	-	-	83,685
Public safety	115,018	-	-	115,018
Public safety beer tax	38,563	-	-	38,563
Transportation tax	792,627	-	-	792,627
Capital projects	-	15,366,377	-	15,366,377
Assigned:				
Capital projects	-	1,085,592	80	1,085,672
Unassigned	1,956,095	-	-	1,956,095
Total fund balances	4,902,281	16,451,969	80	21,354,330
Total liabilities, deferred inflows of resources and fund balances	\$ 6,377,150	\$ 16,508,248	\$ 80	\$ 22,885,478

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Position
June 30, 2023

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

Total fund balances for governmental funds	\$ 21,354,330
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	5,758,018
Other long-term assets and deferred outflows of resources are not available for current period expenditures and, therefore, are not reported in the funds balance sheet.	404,899
Accrued interest on long-term debt is not due and payable in the current period and, therefore, is not recorded in the funds.	(110,784)
Long-term liabilities, including bonds, compensated absences, and notes are not due and payable in the current period and, therefore, are not reported in the funds.	(15,115,225)
Other long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds balance sheet.	(410,876)
The internal service fund is used by management to charge the cost of vehicles and related maintenance to other funds. The assets and liabilities of the internal services fund are included in the governmental activities in the Statement of Net Position.	800,811
Net position of governmental activities	\$ <u><u>12,681,173</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Four Mile Special Service District (nonmajor)	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 3,558,262	\$ -	\$ -	\$ 3,558,262
Licenses and permits	324,568	-	-	324,568
Impact fees	94,056	-	-	94,056
Intergovernmental	783,761	-	-	783,761
Charges for services	25,340	-	9,000	34,340
Fines and forfeitures	136,139	-	-	136,139
Interest income	206,975	285,950	(54)	492,871
Miscellaneous revenues	119,494	-	-	119,494
Total revenues	5,248,595	285,950	8,946	5,543,491
<u>EXPENDITURES</u>				
Current:				
General government	938,576	-	-	938,576
Public safety	1,824,498	-	-	1,824,498
Community development	30,265	-	-	30,265
Highways and public improvements	848,961	-	69	849,030
Parks and recreation	535,893	-	-	535,893
Debt service:				
Principal	-	240,000	-	240,000
Interest and fiscal expenses	-	180,781	-	180,781
Bond issuance costs	-	31,750	-	31,750
Capital outlay	-	350,410	-	350,410
Total expenditures	4,178,193	802,941	69	4,981,203
Excess (deficiency) of revenues over (under) expenditures	1,070,402	(516,991)	8,877	562,288
<u>OTHER FINANCING SOURCES (USES)</u>				
Issuance of bonds	-	9,000,000	-	9,000,000
Transfers in	-	1,002,742	-	1,002,742
Transfers out	(725,342)	-	-	(725,342)
Total other financing sources (uses)	(725,342)	10,002,742	-	9,277,400
Net change in fund balances	345,060	9,485,751	8,877	9,839,688
Fund balances (deficits), beginning as restated	4,557,221	6,966,218	(8,797)	11,514,642
Fund balances, ending	\$ 4,902,281	\$ 16,451,969	\$ 80	\$ 21,354,330

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances for governmental funds	\$ 9,839,688
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of \$2,000 or more are capitalized and the cost is allocated over the assets estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	624,152
Depreciation expense	(340,187)
<p>Contributed assets are not recorded in governmental funds because current resources are not expended for acquisition. The Statement of Activities records these contributed assets at their estimated fair value on the date of contribution.</p>	
	820,949
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither type of transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>	
Sales and franchise tax revenue bonds issued	(9,000,000)
Reduction of long-term liability	240,000
<p>Accrued pension costs are not reported as an expenditure in the current period for governmental funds but are recorded as an expense in the statement of activities.</p>	
	152,367
<p>Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due.</p>	
Accrued interest	(108,894)
Compensated absences	(60,200)
<p>Internal service fund is used by management to charge the cost of centralized services to individual funds. The net income of the internal service fund is reported with governmental activities.</p>	
	<u>(124,695)</u>
Change in net position of governmental activities	<u><u>\$ 2,043,180</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Property taxes	\$ 978,268	\$ 978,268	\$ 1,009,828	\$ 31,560
Sales taxes	2,036,866	2,036,866	2,131,326	94,460
Franchise taxes	354,238	354,238	417,108	62,870
Licenses and permits	130,500	130,500	324,568	194,068
Impact fees	8,000	12,763	94,056	81,293
Intergovernmental	292,500	756,922	783,761	26,839
Charges for services	17,500	17,500	25,340	7,840
Fines and forfeitures	151,000	151,000	136,139	(14,861)
Interest	16,500	45,000	206,975	161,975
Miscellaneous	50,000	50,000	119,494	69,494
Total revenues	4,035,372	4,533,057	5,248,595	715,538
<u>EXPENDITURES</u>				
Current:				
General government:				
Legislative	33,400	34,583	31,667	2,916
Judicial	136,839	147,779	131,585	16,194
City administrator	545,021	643,754	530,192	113,562
Nondepartmental	230,550	250,550	245,132	5,418
Total general government	945,810	1,076,666	938,576	138,090
Public safety:				
Police	1,720,530	1,991,403	1,824,498	166,905
Community development:				
Building inspection	39,500	39,500	30,265	9,235
Highways and public improvements:				
Public works	384,476	413,175	289,913	123,262
Road and transportation	1,046,886	1,046,886	559,048	487,838
Total highways and public improvements	1,431,362	1,460,061	848,961	611,100
Parks and recreation:				
Park and recreation	903,855	964,037	535,893	428,144
Total parks and recreation	903,855	964,037	535,893	428,144
Total expenditures	5,041,057	5,531,667	4,178,193	1,353,474
Excess (deficiency) of revenues over (under) expenditures	(1,005,685)	(998,610)	1,070,402	2,069,012
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	(388,342)	(725,342)	(725,342)	-
Net other financing sources (uses)	(388,342)	(725,342)	(725,342)	-
Net change in fund balance	\$ (1,394,027)	\$ (1,723,952)	345,060	\$ 2,069,012
Fund balance, beginning of year			4,557,221	
Fund balance, end of year			\$ 4,902,281	

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Net Position – Proprietary Funds
June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>					Governmental
	Sewer	Storm Water	Street Light	Garbage	Total	Activities Internal Service Fund
<u>ASSETS</u>						
Current assets:						
Cash	\$ 974,321	\$ 1,303,352	\$ 82,550	\$ -	\$ 2,360,223	\$ 800,811
Accounts receivable	68,091	40,019	4,413	46,217	158,740	-
Due from other funds	116,249	-	-	-	116,249	-
Total current assets	<u>1,158,661</u>	<u>1,343,371</u>	<u>86,963</u>	<u>46,217</u>	<u>2,635,212</u>	<u>800,811</u>
Noncurrent assets:						
Capital assets:						
Land	-	92,000	-	-	92,000	-
Construction in progress	-	27,796	-	-	27,796	-
Machinery, equipment, & vehicles	69,825	122,020	-	-	191,845	2,150,810
Infrastructure	1,689,783	2,134,456	-	-	3,824,239	-
Accumulated depreciation	(744,488)	(550,151)	-	-	(1,294,639)	(1,192,105)
Total capital assets	<u>1,015,120</u>	<u>1,826,121</u>	<u>-</u>	<u>-</u>	<u>2,841,241</u>	<u>958,705</u>
Total noncurrent assets	<u>1,015,120</u>	<u>1,826,121</u>	<u>-</u>	<u>-</u>	<u>2,841,241</u>	<u>958,705</u>
Total assets	<u>2,173,781</u>	<u>3,169,492</u>	<u>86,963</u>	<u>46,217</u>	<u>5,476,453</u>	<u>1,759,516</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Pension related	16,911	25,137	-	-	42,048	-
Total deferred outflows of resources	<u>16,911</u>	<u>25,137</u>	<u>-</u>	<u>-</u>	<u>42,048</u>	<u>-</u>

(Continued)

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Net Position – Proprietary Funds (Continued)
June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities Internal Service Fund
	<u>Sewer</u>	<u>Storm Water</u>	<u>Street Lights</u>	<u>Garbage</u>	<u>Total</u>	
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	\$ 28,130	\$ 2,438	\$ 46,579	\$ -	\$ 77,147	\$ -
Accrued liabilities	1,961	5,600	-	-	7,561	-
Due to other funds	-	-	-	116,249	116,249	-
Accrued interest payable	-	-	-	-	-	1,890
Compensated absences	5,416	4,481	-	-	9,897	-
Leases payable	-	-	-	-	-	105,094
Total current liabilities	<u>35,507</u>	<u>12,519</u>	<u>46,579</u>	<u>116,249</u>	<u>210,854</u>	<u>106,984</u>
Noncurrent liabilities:						
Compensated absences	1,805	1,493	-	-	3,298	-
Net pension liability	16,742	24,885	-	-	41,627	-
Total noncurrent liabilities	<u>18,547</u>	<u>26,378</u>	<u>-</u>	<u>-</u>	<u>44,925</u>	<u>-</u>
Total liabilities	<u>54,054</u>	<u>38,897</u>	<u>46,579</u>	<u>116,249</u>	<u>255,779</u>	<u>106,984</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Pension related	419	623	-	-	1,042	-
Total deferred inflows of resources	<u>419</u>	<u>623</u>	<u>-</u>	<u>-</u>	<u>1,042</u>	<u>-</u>
<u>NET POSITION</u>						
Net investment in capital assets	1,015,120	1,826,121	-	-	2,841,241	853,611
Restricted	-	736,080	-	-	736,080	-
Unrestricted	1,121,099	592,908	40,384	(70,032)	1,684,359	798,921
Total net position (deficit)	<u>\$ 2,136,219</u>	<u>\$ 3,155,109</u>	<u>\$ 40,384</u>	<u>\$ (70,032)</u>	<u>\$ 5,261,680</u>	<u>\$ 1,652,532</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>					Governmental
	Sewer	Storm Water	Street Lights	Garbage	Total	Activities Internal Service Fund
<u>OPERATING REVENUES</u>						
Charges for services	\$ 736,746	\$ 357,286	\$ 31,868	\$ 509,687	\$ 1,635,587	\$ 149,071
Miscellaneous	-	22,100	-	-	22,100	-
Total operating revenues	<u>736,746</u>	<u>379,386</u>	<u>31,868</u>	<u>509,687</u>	<u>1,657,687</u>	<u>149,071</u>
<u>OPERATING EXPENSES</u>						
Salaries and benefits	86,099	184,232	-	-	270,331	-
Contractual services	493,904	10,837	1,117	538,983	1,044,841	-
Supplies and repairs	4,516	187,956	35,215	-	227,687	38,733
Administrative	332	2,711	-	-	3,043	-
Depreciation	30,797	52,123	-	-	82,920	260,891
Total operating expenses	<u>615,648</u>	<u>437,859</u>	<u>36,332</u>	<u>538,983</u>	<u>1,628,822</u>	<u>299,624</u>
Operating income (loss)	<u>121,098</u>	<u>(58,473)</u>	<u>(4,464)</u>	<u>(29,296)</u>	<u>28,865</u>	<u>(150,553)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>						
Interest income	44,951	42,241	1,210	(1,606)	86,796	28,316
Interest expense	-	-	-	-	-	(2,458)
Total nonoperating revenues (expenses)	<u>44,951</u>	<u>42,241</u>	<u>1,210</u>	<u>(1,606)</u>	<u>86,796</u>	<u>25,858</u>
Income (loss) before contributions and transfers	166,049	(16,232)	(3,254)	(30,902)	115,661	(124,695)
Capital contributions	199,363	265,255	-	-	464,618	-
Transfers out	(277,400)	-	-	-	(277,400)	-
Change in net position	<u>88,012</u>	<u>249,023</u>	<u>(3,254)</u>	<u>(30,902)</u>	<u>302,879</u>	<u>(124,695)</u>
Total net position (deficit), beginning as restated	<u>2,048,207</u>	<u>2,906,086</u>	<u>43,638</u>	<u>(39,130)</u>	<u>4,958,801</u>	<u>1,777,227</u>
Total net position (deficit), ending	<u>\$ 2,136,219</u>	<u>\$ 3,155,109</u>	<u>\$ 40,384</u>	<u>\$ (70,032)</u>	<u>\$ 5,261,680</u>	<u>\$ 1,652,532</u>

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer	Storm Water	Street Lights	Garbage		
Cash flows from operating activities						
Receipts from customers and users	\$ 767,928	\$ 392,777	\$ 42,342	\$ 508,779	\$ 1,711,826	\$ 149,071
Payments to suppliers	(495,852)	(199,066)	10,247	(623,422)	(1,308,093)	(38,733)
Payments to employees	(68,263)	(183,230)	-	-	(251,493)	-
Net cash provided (used) by operating activities	203,813	10,481	52,589	(114,643)	152,240	110,338
Cash flows from noncapital financing activities						
Transfers to other funds	(277,400)	-	-	-	(277,400)	-
Advances from (to) other funds	(116,249)	-	-	116,249	-	-
Net cash provided (used) by noncapital financing activities	(393,649)	-	-	116,249	(277,400)	-
Cash flows from capital and related financing activities						
Aquisition of capital assets	(104,825)	(154,170)	-	-	(258,995)	(96,105)
Impact fees received	58,180	84,473	-	-	142,653	-
Principal paid on capital debt	-	-	-	-	-	(6,327)
Interest paid on capital debt	-	-	-	-	-	(2,552)
Net cash used by capital and related financing activities	(46,645)	(69,697)	-	-	(116,342)	(104,984)
Cash flows from investing activities						
Interest received	44,951	42,241	1,210	(1,606)	86,796	28,316
Net cash provided (used) by investing activities	44,951	42,241	1,210	(1,606)	86,796	28,316

(Continued)

CITY OF HARRISVILLE
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2023

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Sewer</u>	<u>Storm Water</u>	<u>Street Lights</u>	<u>Garbage</u>		
Net increase (decrease) in cash and cash equivalents	(191,530)	(16,975)	53,799	-	(154,706)	33,670
Cash and cash equivalents, beginning of year	1,165,851	1,320,327	28,751	-	2,514,929	767,141
Cash and cash equivalents, end of year	<u>\$ 974,321</u>	<u>\$ 1,303,352</u>	<u>\$ 82,550</u>	<u>\$ -</u>	<u>\$ 2,360,223</u>	<u>\$ 800,811</u>
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 121,098	\$ (58,473)	\$ (4,464)	\$ (29,296)	\$ 28,865	\$ (150,553)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	30,797	52,123	-	-	82,920	260,891
Changes in assets and liabilities:						
Accounts receivable	31,182	13,391	10,474	(908)	54,139	-
Accounts payable	2,900	2,438	46,579	(84,439)	(32,522)	-
Accrued liabilities	945	4,103	-	-	5,048	-
Compensated absences	3,597	2,546	-	-	6,143	-
Net pension liability	13,294	(5,647)	-	-	7,647	-
Net cash provided (used) by operating activities	<u>\$ 203,813</u>	<u>\$ 10,481</u>	<u>\$ 52,589</u>	<u>\$ (114,643)</u>	<u>\$ 152,240</u>	<u>\$ 110,338</u>
Noncash investing, capital and financing activities						
Capital contributions - developers	\$ 141,183	\$ 180,782	\$ -	\$ -	\$ 321,965	\$ -

The accompanying notes are an integral part of this financial statement.

CITY OF HARRISVILLE
Notes to the Financial Statements
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrisville (the City) was incorporated on April 19, 1962 as a township and became a city on January 30, 1964. The City operates under a traditional Mayor-Council form of government. The City provides the following services as authorized by its charter: general administrative services, public safety, planning and zoning, highway and streets, parks and recreation, sewer, storm water, street lights, sanitation, and public improvements.

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

Reporting Entity

The accompanying financial statements present the City of Harrisville (the primary government). The City has no component units.

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general administrative services, police (public safety), building inspection, parks and recreation, and highways and public improvements are classified as governmental activities. The City's sewer, storm water, street lights, and garbage services are classified as business-type activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services, and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of 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 which are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenues are reported instead as general revenues.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City, other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the City's sewer treatment operations which directs sewage to a treatment plant that is operated by another government agency.

The *storm water fund* accounts for the activities of the City's storm drain collection system.

The *garbage fund* accounts for the activities of the City's solid waste collection operations, including garbage pick-up and tipping and disposal fees.

The *street lights fund* accounts for the activities of the City's street lights system.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for the costs of procurement and maintenance of vehicles by motor pool to other departments of the City, or to other governments, on a cost-reimbursement basis.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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 proprietary funds for the providing of 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes imposed by the City.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position

Cash, Cash Equivalents, and Investments The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents and includes deposits with financial institutions, money market accounts, bond reserve accounts, and accounts at the Utah Public Treasurer's Investment Trust (the State Treasurer's Pool). For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents accounts. Investments of the City 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, when applicable.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

Management has estimated no allowance for uncollectibles is considered necessary as accounts receivable are all deemed fully collectible for both governmental and enterprise funds. Accounts receivable at June 30, 2023, consist of property taxes, franchise taxes, sales tax, grants and accounts (billings for user charged services). The utility billings for charged services are billed to customers monthly by another governmental agency.

Restricted Assets Assets whose use is restricted for construction, debt service or by other independent third parties, enabling legislation, or other laws and statutes. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Prepaid Expense Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets Capital assets, which include property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Other improvements	10-30
Sewer collection system	50
Machinery, equipment, and vehicles	3-15

Developer and Customer Deposits Deposits from customers or developers that are held for construction projects and development agreements until such time that refund or forfeiture is warranted.

Compensated Absences The City has a benefit program for compensated absences. Under the program, accumulated unpaid vacation is accrued as incurred up to the maximum amounts based on years of service for each employee. Vacation is fully vested when earned. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary at designated maximum amounts per City policy. Accumulated sick leave is earned at a rate of four hours per pay period. Employees may accumulate sick leave up to a maximum of 960 hours. Employees who retire are either paid 25% of accumulated sick leave at retirement or they can use 80 hours of accrued sick leave per month towards the premium for one month of health insurance. Proprietary funds expense all accrued vacation and potential sick retirement payout amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Compensated Absences (continued) The total compensated absences liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absences liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when it is due for payment in the current fiscal year. Historically, compensated absences are paid by the individual funds as they become due, for governmental funds, most of the costs are paid by the general fund.

Deferred Inflows and Outflows of Resources In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes (property taxes which will be levied and collected more than 60 days after year end) in this category. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. The City also has deferred inflows relating to pensions.

Deferred outflows of resources represent a consumption of net assets that applies to a future period and is therefore deferred until that time. The City also has deferred outflows relating to pensions.

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. Historically, pension costs are paid by the individual funds as they become due, for governmental funds, most of the costs are paid by the general fund.

Long-Term Obligations and Leases In the government-wide financial statements and proprietary funds, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds' Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period as other financing sources or uses. The face amount of debt issued is also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the current period.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

The City recognizes a lease or subscription payable and an intangible right-to-use lease asset or subscription asset in the government-wide and proprietary fund financial statements for individual values over \$5,000. At the commencement of a lease or subscription, the City measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently, the lease or subscription payable is reduced by the principal amount of the lease or subscription payments. The intangible right-to-use lease or subscription asset is measured at the initial amount of the lease or subscription payable, adjusted for payments made at or before the lease commencement date, plus initial direct costs. The asset is amortized over its useful life.

Fund Balance and Net Position Net position is classified in the government-wide financial statements in three components:

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

GASB Statement No. 54 provided new reporting categories for fund balance in governmental funds. The categories and descriptions are as follows:

- (1) *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- (2) *Restricted fund balance* classifications are restricted by the following: (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- (3) *Committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position (Continued)

Fund Balance and Net Position (Continued)

- (4) *Assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed.
- (5) *Unassigned fund balance* classification is the residual classification for the general fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Proprietary funds report net position in the same manner as the government-wide statements.

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

Estimates The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from those estimates.

Reclassifications

Certain amounts have been reclassified in the 2022 financial statements to conform with the 2023 presentation.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

Annual budgets are prepared and adopted, in accordance with State law, by the City Council on or before June 22 for the following fiscal year. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the general fund, special revenue funds and enterprise funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the City Administrator and City Council for operating within the budget for their departments. All annual budgets lapse at fiscal year-end.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed general fund balance until it exceeds 5% of the general fund revenues. Until the sum of the stated fund balance categories is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law also prohibits the accumulation of the stated fund balance categories in the general fund in any amounts greater than 35% of the current year's total actual revenues.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution. A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets or enterprise fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, special revenue funds, and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting. Annual budgets for the enterprise funds are legally adopted by the City and prepared on the accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City mainly in two to three installments in November, December and a final settlement by March 31st, but are remitted routinely each month based on collections received. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has made for fees due and payable to the City at June 30th.

Compliance

The City's garbage fund currently reports a deficit net position of \$70,032 as June 30, 2023.

3. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as term deposits. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds. The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act (UMMA) that relate to the deposit and investment of public funds.

The City's follows the requirements of UMMA (*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, which is defined as a 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. UMMA defines 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.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

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: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2023, the City had the following recurring fair value measurements.

Investment Type	06/30/23	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
PTIF	\$ 8,958,319	\$ -	\$ 8,958,319	\$ -
Total investments	<u>\$ 8,958,319</u>	<u>\$ -</u>	<u>\$ 8,958,319</u>	<u>\$ -</u>

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

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned. As of June 30, 2023, \$315,973 of the City’s \$565,973 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. UMMA does not require deposits to be insured or collateralized. The City’s policy for managing custodial deposit credit risk is to adhere to the UMMA. UMMA requires that the City keep deposits in a qualified depository, which the City has done.

Custodial credit risk – investments 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 that are in the possession of an outside party. The City’s policy for limiting credit risk of investments is to comply with the requirements of UMMA as described above. Of the City’s investment in the Utah Public Treasurer’s Investment Fund (PTIF) of \$8,958,319, the City has no custodial credit risk exposure as the PTIF is an external investment pool managed by the Utah State Treasurer and is not categorized as to custodial credit risk.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risks of investments is to comply with UMMA. 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 UMMA; and the Utah State Public Treasurers’ Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by UMMA. 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.

At June 30, 2023, the City had the following investments and quality ratings:

	Quality Ratings			
	06/30/23	AAA	A	Unrated
PTIF	\$ 8,958,319	\$ -	\$ -	\$ 8,958,319
Total investments	\$ 8,958,319	\$ -	\$ -	\$ 8,958,319

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2023, the City's investments had the following maturities and ratings:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PTIF	\$ 8,958,319	\$ 8,958,319	\$ -
Total investments	<u>\$ 8,958,319</u>	<u>\$ 8,958,319</u>	<u>\$ -</u>

Concentration of credit risk is the risk of loss attributed to the magnitude of a City'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. The City's investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

For the year ended June 30, 2023, the City had investments of \$8,958,319 with the PTIF. The fair value of these investments was \$8,958,992 using a fair value factor of 1.00007516.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Following are the City's cash and cash equivalents at June 30, 2023:

	Carrying Value
Cash on hand and on deposit:	
Cash on hand	\$ 250
Cash on deposit	15,554,465
PTIF accounts	8,958,319
Total cash on hand and deposit	\$ 24,513,034

4. RECEIVABLES

Receivables as of June 30, 2023 for the City's individual funds are as follows:

	Accounts Receivable	Property Tax	Inter- Governmental	Gross Receivables	Less: Allowance for Uncollectabl e Accounts	Total Receivables, Net
General Fund	\$ 31,327	969,244	\$ 438,086	\$ 1,438,657	\$ -	\$ 1,438,657
Sewer	68,091	-	-	68,091	-	68,091
Storm Water	40,019	-	-	40,019	-	40,019
Street Lights	4,413	-	-	4,413	-	4,413
Garbage	46,217	-	-	46,217	-	46,217
	\$ 190,067	\$ 969,244	\$ 438,086	\$ 1,597,397	\$ -	\$ 1,597,397

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The purpose of the transfers was to provide cash flows, pay operating expenses, and to fund capital projects. Transfers among the funds during the current year were:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 725,342
Capital Projects Fund	1,002,742	-
Sewer Fund	-	277,400
	\$ 1,002,742	\$ 1,002,742

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

6. CAPITAL ASSETS

Capital asset activity of the governmental activities, including the internal service fund, for the year ended June 30, 2023 was as follows:

	(Restated) 6/30/2022	Increases	Decreases	06/30/23
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 620,040	\$ -	\$ -	\$ 620,040
Construction in progress	-	279,603	-	279,603
Total capital assets, not being depreciated	620,040	279,603	-	899,643
Capital assets, being depreciated:				
Buildings	732,957	-	-	732,957
Other improvements	1,683,711	111,981	-	1,795,692
Machinery, equipment, and vehicles	2,207,038	328,672	-	2,535,710
Infrastructure	4,266,319	820,949	-	5,087,268
Total capital assets, being depreciated	8,890,025	1,261,602	-	10,151,627
Less accumulated depreciation	(4,692,174)	(601,078)	-	(5,293,252)
Total capital assets being depreciated, net	4,197,851	660,524	-	4,858,375
Governmental capital assets, net	\$ 4,817,891	\$ 940,127	\$ -	\$ 5,758,018

Capital asset activity of the business-type activities for the year ended June 30, 2023 was as follows:

	6/30/2022	Increases	Decreases	06/30/23
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 92,000	\$ -	\$ -	\$ 92,000
Construction in progress	-	27,796	-	27,796
Total capital assets, not being depreciated	92,000	27,796	-	119,796
Capital assets, being depreciated:				
Machinery, equipment, and vehicles	-	191,845	-	191,845
Infrastructure	3,462,920	361,319	-	3,824,239
Total capital assets, depreciated	3,462,920	553,164	-	4,016,084
Less accumulated depreciation	(1,211,719)	(82,920)	-	(1,294,639)
Total capital assets being depreciated, net	2,251,201	470,244	-	2,721,445
Business-type capital assets, net	\$ 2,343,201	\$ 498,040	\$ -	\$ 2,841,241

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

6. CAPITAL ASSETS (CONTINUED)

In the government-wide financial statements, depreciation was charged as follows by program or activity:

Governmental activities:		
General government	\$	266,644
Public safety		103,899
Highways and public improvements		166,844
Parks and recreation		63,691
Total depreciation expense - governmental activities	<u>\$</u>	<u>601,078</u>
Business-type activities:		
Sewer Fund	\$	30,797
Storm Water Fund		52,123
Total depreciation expense - business-type activities	<u>\$</u>	<u>82,920</u>

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental and business-type activities of the City at June 30, 2023 (excluding net pension liability discussed in note 8):

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/23</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Sales and franchise tax revenue bonds	\$ 6,000,000	\$ 9,000,000	\$ (240,000)	\$ 14,760,000	\$ 432,000
Leases payable	111,421	-	(6,327)	105,094	105,094
Compensated absences	189,931	160,389	(100,189)	250,131	125,065
Governmental activities, long-term liabilities	<u>\$ 6,301,352</u>	<u>\$ 9,160,389</u>	<u>\$ (346,516)</u>	<u>\$ 15,115,225</u>	<u>\$ 662,159</u>
<u>Business-type activities</u>					
Compensated absences	7,052	11,677	(5,534)	13,195	9,897
Business-type activities, long-term liabilities	<u>\$ 7,052</u>	<u>\$ 11,677</u>	<u>\$ (5,534)</u>	<u>\$ 13,195</u>	<u>\$ 9,897</u>

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

7. LONG-TERM DEBT (CONTINUED)

Long-term debt and bond obligations for governmental activities payable at June 30, 2023 were as follows:

<u>Governmental Activities</u>	<u>Current Portion</u>	<u>Long-Term Balance</u>
Series 2022 Sales and Franchise Tax Revenue Bonds, original issue of \$6,000,000, principal due in annual installments beginning June 2023, interest at 2.10% to 4.35% due in semi-annual installments beginning December 2022, with the final payment due June 2042. The bonds were issued to finance the construction of a new public works facility.	\$ 229,000	\$ 5,531,000
Series 2023 Sales and Franchise Tax Revenue Bonds, original issue of \$9,000,000, principal due in annual installments beginning June 2024, interest at 2.55% to 5.25% due in semi-annual installments beginning December 2023, with the final payment due June 2048. The bonds were issued to finance the construction of a new City Hall complex building.	203,000	8,797,000
Total Governmental Activities Long-term Debt	<u>\$ 432,000</u>	<u>\$ 14,328,000</u>

Principal and interest requirements to retire the City's long-term bond obligations are as follows:

Year Ending June 30,	Governmental Activities Sales Tax Revenue Bonds		
	Principal	Interest	Totals
2024	\$ 432,000	\$ 585,234	\$ 1,017,234
2025	476,000	540,935	1,016,935
2026	488,000	529,022	1,017,022
2027	501,000	516,323	1,017,323
2028	514,000	502,782	1,016,782
2029-2033	2,809,000	2,277,979	5,086,979
2034-2038	3,322,000	1,778,044	5,100,044
2039-2043	3,643,000	1,077,038	4,720,038
2044-2048	2,575,000	396,943	2,971,943
	<u>\$ 14,760,000</u>	<u>\$ 8,204,300</u>	<u>\$ 5,085,296</u>

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

7. LONG-TERM DEBT (CONTINUED)

Leases

The City has entered into a vehicle lease purchase agreement for the acquisition of two trucks totaling \$120,300. The terms of the lease agreement is effective for 12 months with four successive one-year period renewal options by the City, which management of the City considers probable of occurring. The final renewal term will end in September 2025 unless the agreement is terminated as provided by the various options, at which time the lease equipment will be transferred to and vest with the City.

As of June 30, 2023, the leases payable was reported at \$105,094. The leases have annual payments of principal and interest that are due from the commencement of the lease. Interest rates for these leases is 2.29%. The City elected to and paid off this lease agreement in July 2023, so the full amount has been classified as a current obligation on the Statement of Net Position.

8. RETIREMENT PLANS

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:

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

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning work on or after July 1, 2011, who has 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 System, 560 E 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year to June 30, 2020; 2.0% per year July 1, 2020 to present	Up to 2.50%

*with actuarial reductions

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

Contributions As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023 are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rates</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Governmental Division Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	17.97%	N/A
Public Safety Retirement System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety Contributory	2.59%	25.83%	N/A
Noncontributory			
43 - Other Division A Noncontributory with 2.5% COLA	N/A	34.04%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.19%	10.00%
222-Public Safety	N/A	11.83%	14.00%

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

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

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

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 117,219	\$ -
Public Safety System	139,810	-
Tier 2 Public Employees System	39,369	-
Tier 2 Public Safety and Firefighter System	52,707	4,900
Tier 2 DC Public Safety and Firefighter System	9,797	-
Total Contributions	<u>\$ 358,902</u>	<u>\$ 4,900</u>

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

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

At June 30, 2023, the City reported no net pension asset and a net pension liability of \$442,466.

	<u>Measurement Date: December 31, 2022</u>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2021</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$ 102,183	0.0596600%	0.0532531%	0.0064069%
Public Safety System	-	326,390	0.2524143%	0.2155294%	0.0368849%
Tier 2 Public Employees System	-	8,156	0.0074899%	0.0097581%	-0.0022682%
Tier 2 Public Safety and Firefighter	-	5,737	0.0687652%	0.0912125%	-0.0224473%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 442,466</u>			

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

For the year ended June 30, 2023, the City recognized pension expense of \$204,099.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2023, the City 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	\$ 41,626	\$ 2,226
Changes in assumptions	31,776	1,004
Net difference between projected and actual earnings on pension plan investments	152,290	-
Changes in proportion and differences between contributions and proportionate share of contributions	38,053	7,848
Contributions subsequent to the measurement date	183,199	-
Total	<u>\$ 446,944</u>	<u>\$ 11,078</u>

\$183,199 was reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (45,588)
2024	(5,088)
2025	62,191
2026	233,834
2027	1,214
Thereafter	6,104

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$40,777.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,659	\$ -
Changes in assumptions	16,746	408
Net difference between projected and actual earnings on pension plan investments	67,401	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,543	2,676
Contributions subsequent to the measurement date	<u>59,216</u>	<u>-</u>
Total	<u>\$ 187,565</u>	<u>\$ 3,084</u>

\$59,216 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2023	\$	(10,594)
2024		5,280
2025		27,072
2026		103,507

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Public Safety System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$122,631.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,445	\$ -
Changes in assumptions	8,754	-
Net difference between projected and actual earnings on pension plan investments	75,651	-
Changes in proportion and differences between contributions and proportionate share of contributions	22,876	2,623
Contributions subsequent to the measurement date	68,845	-
Total	\$ 177,571	\$ 2,623

\$68,845 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (36,158)
2024	(12,677)
2025	31,537
2026	123,401

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2023, the City recognized pension expense of \$15,703.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,755	\$ 324
Changes in assumptions	2,648	21
Net difference between projected and actual earnings on pension plan investments	3,288	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,318	871
Contributions subsequent to the measurement date	<u>25,953</u>	<u>-</u>
Total	<u>\$ 36,962</u>	<u>\$ 1,216</u>

\$25,953 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2023	\$	535
2024		1,054
2025		1,634
2026		3,035
2027		771
Thereafter		2,764

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Tier 2 Public Safety and Firefighter Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$24,988.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,767	\$ 1,902
Changes in assumptions	3,628	575
Net difference between projected and actual earnings on pension plan investments	5,950	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,316	1,678
Contributions subsequent to the measurement date	29,185	-
	<hr/>	<hr/>
Total	<u>\$ 44,846</u>	<u>\$ 4,155</u>

\$29,185 reported as deferred outflows of resources related to pension results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ 629
2024	1,255
2025	1,948
2026	3,891
2027	443
Thereafter	3,340

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

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

Inflation	2.50 percent
Salary increases	3.25 - 9.25 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted 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, 2022 valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

The long-term expected rate of return of 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 or 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	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
Totals	100%		5.17%
	Inflation		2.50%
	Expected arithmetic nominal return		7.67%

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

Discount Rate

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

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

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

<u>System</u>	<u>1% Decrease (5.85%)</u>	<u>Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Noncontributory System	\$ 643,989	\$ 102,183	\$ (350,525)
Public Safety System	1,051,143	326,390	(263,004)
Tier 2 Public Employees System	35,636	8,156	(13,014)
Tier 2 Public Safety and Firefighter System	45,921	5,737	(26,200)
Total	<u>\$ 1,776,689</u>	<u>\$ 442,466</u>	<u>\$ (652,743)</u>

Pension Plan Fiduciary Net Position

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

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

8. RETIREMENT PLANS (CONTINUED)

Defined Contribution Savings Plan

The City participates in a Defined Contribution Saving Plan, which is administered by the Utah Retirement Systems Board and is a supplemental plan 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 section 401(k) of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City participates in the following Defined Contribution Savings Plans with URS:

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
401(k) Plan			
Employer contributions	\$ 51,583	\$ 39,099	\$ 41,034
Employee contributions	57,537	49,919	37,876
457 Plan			
Employer contributions	-	-	-
Employee contributions	-	12,750	19,500
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	4,800	4,761	6,925
Traditional IRA			
Employer contributions	N/A	N/A	N/A
Employee contributions	-	1,961	3,000

* The employer paid 401(k) contributions include the totals paid for employees in the Tier 2 Defined Contribution 401(k) Plan.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

9. COMMITMENTS AND CONTINGENCIES

The City has construction commitments outstanding at year end for projects which have been awarded and construction has begun, but which have not been paid for at year end. Total unpaid construction commitments at June 30, 2023 were \$232,940 on original contracts totaling \$350,353.

10. CONTINGENT LIABILITIES

The City is involved in various claims and legal actions arising in the ordinary course of events. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

11. RISK MANAGEMENT

The City has joined the Utah Local Governments Trust (Trust). Founded in 1974, the Utah Local Governments Trust is licensed in Utah as a public agency insurance mutual. Trust policies are designed specifically for government agencies, including cities, towns, counties, special service districts, and school districts. The Trust provides low-cost liability and property coverage for local governments, claims adjustment services, loss prevention and safety training to its members. Utah Local Governments Trust is reinsured through Munich America RE & Clarendon, two national insurance companies with members from municipal leagues across the US.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance as noted above. Settled claims from these risks have not exceeded commercial insurance coverage.

12. RECENT ACCOUNTING PRONOUNCEMENT

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The statement is meant to enhance the relevance and reliability of the City's financial statements by requiring the City to report subscription assets and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of the City's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The City adopted and implemented this statement for the fiscal year ended June 20, 2023. However, after an in-depth analysis of the City's software agreements, no SBITAs were found that are subject to recognition under GASB 96.

CITY OF HARRISVILLE
Notes to the Financial Statements (Continued)
June 30, 2023

13. PRIOR PERIOD ADJUSTMENTS

During the fiscal year 2023, it was noted that the City had not properly recognized or recorded several year-end accruals from fiscal year 2022. These included the following: the issuance of a \$6 million sales and franchise tax revenue bond (Series 2022), tax revenue accruals related to June 2022, payroll and compensated absence accrual adjustments for year-end timing of bi-weekly payroll payment and accruals for sick time in accordance with City policies, the removal of a building for public works based on its sale, and the recognition of a finance lease for two vehicle purchased in September 2021. The transactions noted above were erroneously excluded from the City's financial statements for the fiscal year end June 30, 2022.

The following table represents the prior period adjustments made to properly recognize these transactions in the correct fiscal year:

	General Fund	Capital Projects Fund	Motor Pool Fund	Sewer Fund	Storm Water Fund	Business-Type Activities	Governmental Activities
Net position, June 30, 2022, as previously reported	\$ 4,362,565	\$ 992,820	\$ 1,788,377	\$ 2,052,847	\$ 2,911,011	\$ 4,968,366	\$ 10,740,742
Payroll accrual for June 30, 2022 year-end	(26,262)	-	-	(1,016)	(1,497)	(2,513)	(26,262)
Issuance of Series 2022 sales and franchise tax revenue bonds	-	5,973,398	-	-	-	-	(26,602)
Sales tax revenue for June 2022 received in Aug 2022 (USTC)	182,332	-	-	-	-	-	182,332
Franchise & transportation taxes for June 2022 received in Aug 2022	17,114	-	-	-	-	-	17,114
Franchise taxes from Dominion & PacifiCorp for June 2022 received July 2022	21,472	-	-	-	-	-	21,472
Leases - vehicle assets & payable (depreciation & principal payment), net	-	-	(11,151)	-	-	-	(11,151)
Compensated absence sick accrual and fund allocations for June 30, 2022	-	-	-	(3,624)	(3,428)	(7,052)	(75,759)
Capital asset adjustment for Public Works Building sold in FY22, net	-	-	-	-	-	-	(183,893)
Net position, June 30, 2022, as restated	<u>\$ 4,557,221</u>	<u>\$ 6,966,218</u>	<u>\$ 1,777,226</u>	<u>\$ 2,048,207</u>	<u>\$ 2,906,086</u>	<u>\$ 4,958,801</u>	<u>\$ 10,637,993</u>

Required Supplementary Information

CITY OF HARRISVILLE
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
Noncontributory System	2014	0.0505886%	\$ 219,668	\$ 430,807	51.00%	90.20%
	2015	0.0526020%	297,648	445,904	66.75%	87.80%
	2016	0.0591657%	379,916	520,603	72.98%	87.30%
	2017	0.0587011%	257,181	504,297	51.00%	91.90%
	2018	0.0606721%	446,773	519,422	86.01%	87.00%
	2019	0.0564832%	212,878	469,564	45.34%	93.70%
	2020	0.0489999%	25,134	415,269	6.05%	99.20%
	2021	0.0532531%	(304,986)	470,803	-64.78%	108.70%
	2022	0.0596600%	102,183	614,159	16.64%	97.50%
	Public Safety System	2014	0.1596158%	\$ 200,730	\$ 330,671	60.70%
2015		0.1507968%	269,578	305,690	88.19%	87.10%
2016		0.1780486%	361,310	324,312	111.41%	86.50%
2017		0.1669461%	261,881	291,267	89.91%	90.20%
2018		0.1851420%	476,294	313,699	151.83%	84.70%
2019		0.1998652%	320,907	312,616	102.65%	90.90%
2020		0.2262038%	187,804	302,750	62.03%	95.50%
2021		0.2155294%	(175,041)	267,069	-65.54%	104.20%
2022		0.2524143%	326,390	394,627	82.71%	93.60%
Tier 2 Public Employees System		2014	0.0059151%	\$ 179	\$ 29,006	-0.60%
	2015	0.0067037%	15	43,332	-0.03%	100.20%
	2016	0.0053676%	599	44,018	1.36%	95.10%
	2017	0.0086000%	758	84,084	0.90%	97.40%
	2018	0.0104868%	4,491	122,100	3.68%	90.80%
	2019	0.0139628%	3,140	193,944	1.62%	96.50%
	2020	0.0103251%	1,485	165,133	0.90%	98.30%
	2021	0.0097581%	(4,130)	181,186	-2.28%	103.80%
	2022	0.0074899%	8,156	163,492	4.99%	92.30%
	Tier 2 Public Safety and Firefighter System	2014	0.1320064%	\$ 1,953	\$ 54,694	-3.60%
2015		0.1064489%	1,555	63,296	-2.46%	110.70%
2016		0.0479146%	416	39,588	-1.05%	103.60%
2017		0.0810498%	938	85,467	-1.10%	103.00%
2018		0.0856616%	2,146	114,231	1.88%	95.60%
2019		0.0837062%	7,874	138,013	5.71%	89.60%
2020		0.0753268%	6,756	149,284	4.53%	93.10%
2021		0.0912125%	(4,610)	218,124	-2.11%	102.80%
2022		0.0687652%	5,737	211,576	2.71%	96.40%

Note:

* This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

CITY OF HARRISVILLE
Schedule of Pension Contributions
Last Ten Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Noncontributory System	2014	\$ 73,445	\$ 73,445	\$ -	\$ 425,288	17.27%
	2015	80,376	80,376	-	436,430	18.42%
	2016	88,261	88,261	-	477,860	18.47%
	2017	96,232	96,232	-	527,258	18.25%
	2018	93,150	93,150	-	504,500	18.46%
	2019	93,864	93,864	-	510,783	18.38%
	2020	80,588	80,588	-	436,337	18.47%
	2021	79,053	79,053	-	428,008	18.47%
	2022	95,539	95,539	-	536,556	17.81%
	2023	117,219	117,219	-	652,825	17.96%
Public Safety System	2014	\$ 72,843	\$ 72,843	\$ -	\$ 266,643	32.14%
	2015	67,351	67,351	-	197,857	34.04%
	2016	77,403	77,403	-	226,702	34.14%
	2017	83,207	83,207	-	242,797	34.27%
	2018	77,200	77,200	-	282,489	27.34%
	2019	76,838	76,838	-	330,593	23.24%
	2020	92,932	92,932	-	299,800	31.00%
	2021	107,491	107,491	-	319,435	33.65%
	2022	98,924	98,924	-	306,234	32.30%
	2023	139,810	139,810	-	435,987	32.07%
Tier 2 Public Employees System*	2014	\$ 4,041	\$ 4,041	\$ -	\$ 28,886	13.99%
	2015	4,336	4,336	-	29,026	14.94%
	2016	8,187	8,187	-	54,910	14.91%
	2017	8,029	8,029	-	53,852	14.91%
	2018	15,002	15,002	-	99,360	15.10%
	2019	24,207	24,207	-	157,358	15.38%
	2020	30,199	30,199	-	193,144	15.64%
	2021	26,763	26,763	-	169,388	25.83%
	2022	27,730	27,730	-	172,795	16.05%
	2023	39,369	39,369	-	245,904	16.01%
Tier 2 Public Safety and Firefighter System*	2014	\$ 7,877	\$ 7,877	\$ -	\$ 37,779	20.85%
	2015	16,234	16,234	-	71,415	22.73%
	2016	10,478	10,478	-	46,615	22.48%
	2017	10,101	10,101	-	47,804	21.13%
	2018	23,390	23,390	-	106,542	21.95%
	2019	34,364	34,364	-	150,380	22.85%
	2020	36,522	36,522	-	158,636	23.02%
	2021	48,879	48,879	-	189,234	25.83%
	2022	58,666	58,666	-	227,123	25.83%
	2023	52,707	52,707	-	204,053	25.83%
Tier 2 Public Employees DC Only System*	2014	\$ 646	\$ 646	\$ -	\$ 11,571	5.58%
	2015	784	784	-	11,673	6.72%
	2016	2,029	2,029	-	30,323	6.69%
	2017	2,125	2,125	-	31,766	6.69%
	2018	2,252	2,252	-	33,659	6.69%
	2019	2,363	2,363	-	35,323	6.69%
	2020	2,429	2,429	-	36,309	6.69%
	2021	2,511	2,511	-	37,530	6.69%
	2022	1,263	1,263	-	18,875	6.69%
	2023	-	-	-	-	0.00%
Tier 2 DC Public Safety and Firefighter DC Only System*	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	3,157	3,157	-	26,683	11.83%
	2017	4,730	4,730	-	39,982	11.83%
	2018	4,702	4,702	-	39,746	11.83%
	2019	5,459	5,459	-	46,149	11.83%
	2020	7,688	7,688	-	64,992	11.83%
	2021	8,410	8,410	-	71,087	11.83%
	2022	7,261	7,261	-	61,377	11.83%
	2023	9,797	9,797	-	82,818	11.83%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

* 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.

Supplementary Information

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Guide* and which are described in the accompanying Schedule of Findings and Responses as item 2023-001 and 2023-002. Our opinion on compliance is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report On Internal Control over Compliance

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

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

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

CITY OF HARRISVILLE
Schedule of Findings and Responses
For the Year Ended June 30, 2023

State Compliance Finding

2023-001 General Fund Balance

Condition: For the fiscal year ended June 30, 2022, The City's aggregate unassigned, assigned, and committed General Fund balance totaled 37.3%.

Criteria: State law, *Utah Code* 10-6-116(2), stipulates that the maximum General Fund aggregate unassigned, assigned, and committed fund balance may not exceed 35% of the total revenues of the General Fund for the current fiscal year.

Cause: The City did not have enough expenditures over revenues or transfers for appropriated projects in the current year to effectively reduce its required fund balance maximum limit. The tax revenues were also greater than anticipated.

Effect: The City is not in compliance with *Utah Code* for General Fund balance limitations.

Recommendation: The City should monitor and amend the General Fund's budget for fiscal year 2024, as needed, to ensure compliance with State Code.

Management's Response: Management concurs and has properly amended the General Fund's budget for fiscal year 2024, as needed, to ensure compliance with State Code.

2023-002 Deficit Fund Balance

Condition: We noted a deficit fund balance in the Garbage Fund of \$70,032 as of June 30, 2023.

Criteria: *Utah Code* 10-6-117(2), stipulates that deficit fund balances/net position in any fund are not permitted.

Cause: The City's Garbage Fund has not had sufficient rate increases to offset the charges incurred from the service provider.

Effect: The City is not in compliance with *Utah Code* regarding fund balance/net position deficits and needs a corrective action plan to remedy the problem.

Recommendation: The City should take appropriate action to eliminate this deficit fund balance/net position in accordance with State Code.

Management's Response: Management will monitor and amend the fiscal year 2024 budget, as needed, to properly eliminate the deficit fund balance.

CITY OF HARRISVILLE
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2023

2023-003 Internal Control Over Financial Reporting - Financial Statement Preparation and Review

Condition: The City's finance department currently does not perform the functions related to the preparation or review of its financial statements, and the notes to those financial statements, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Accordingly, the City is unable to, and has not established formal procedures or internal controls over the preparation or review of its financial statements. During the audit of fiscal year ended June 30, 2023, we noted several accounts were not recorded at their proper accrual value for the year ended June 20, 2022, or were omitted from the prior year financial statements altogether.

As part of the audit, management requested the auditors to prepare a draft of the City's financial statements, including the related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management has not developed formal, written, approved procedures or controls to 1) evaluate the completeness of the financial statement disclosures or 2) recognize instances when reclassification of financial statement items may be required by U.S. GAAP, or 3) evaluate the appropriateness of information that is required to be recorded or disclosed by the governmental accounting standards board (GASB).

Cause: Management has been relying on the auditor's controls over 1) evaluating the completeness of the financial statement disclosures, 2) the classification of financial statement items and 3) the reconciliation and adjustment of financial statement elements as required by the GASB, instead of relying on applicable internal controls over financial reporting.

Effect or Potential Effect: Because controls to 1) evaluate the completeness of financial statement disclosures, 2) recognize instances when reclassification of financial statement items may be required and 3) evaluate the appropriateness of information required by the GASB are not in place, there is a risk that the auditor prepared financial statements will not include a required disclosure, or that certain information in the financial statements might not be properly classified. This condition is considered be a significant deficiency.

Recommendation: We recommend the City creates policies and procedures over financial reporting for financial statement preparation.

Management's Response: Management concurs with the recommendation and will immediately implement written policies and procedures governing financial reporting for financial statement preparation. Past practice included reliance on auditor for financial statement preparation and end of year closing processes.