

**FRUIT HEIGHTS CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2025**

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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

The Mayor and City Council
Fruit Heights City
Fruit Heights, Utah

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of Fruit Heights City ("the City") as of and for the year ended June 30, 2025 and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 responsibility is to express opinions on these financial statements based on our audit. We conducted our objectives to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information, and Utah Retirement systems tables, on pages as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, Utah
December 30, 2025

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

INTRODUCTION

The following is a discussion and analysis of Fruit Heights City's financial performance and activities for the fiscal year ending June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	June 30 2025	June 30 2024	June 30 2025	June 30 2024	June 30 2025	June 30 2024
Cash	\$ 6,174,505	\$ 5,788,709	\$ 5,539,044	\$ 5,016,036	\$ 11,713,549	\$ 10,804,745
Other assets	6,779,845	6,770,370	440,400	373,390	7,220,245	7,143,760
Capital assets	12,686,988	12,500,730	12,888,756	12,922,026	25,575,744	25,422,756
Total assets	25,641,338	25,059,809	18,868,200	18,311,452	44,509,538	43,371,261
Deferred outflows of resources	133,363	134,604	38,039	39,192	171,402	173,796
Total deferred outflows and assets:	25,774,701	25,194,413	18,906,239	18,350,644	44,680,940	43,545,057
Long-term liabilities	117,353	94,457	47,593	34,017	164,946	128,474
Other liabilities	252,768	1,341,707	359,281	308,482	612,049	1,650,189
Total liabilities	370,121	1,436,164	406,874	342,499	776,995	1,778,663
Deferred inflows of resources	6,131,288	6,269,991	561	628	6,131,849	6,270,619
Total deferred inflows and liabilities:	6,501,409	7,706,155	407,435	343,127	6,908,844	8,049,282
Net position:						
Net investment in capital assets	12,686,988	12,500,730	12,888,756	12,922,026	25,575,744	25,422,756
Restricted	1,676,108	1,092,577	587,696	513,232	2,263,804	1,605,809
Unrestricted	4,910,196	3,894,951	5,022,352	4,572,259	9,932,548	8,467,210
Total net position, restated	<u>\$ 19,273,292</u>	<u>\$ 17,488,258</u>	<u>\$ 18,498,804</u>	<u>\$18,007,517</u>	<u>\$ 37,772,096</u>	<u>\$ 35,495,775</u>

Analysis of Financial Position:

Governmental Activities:

The governmental activities have seen an increase to cash (restricted and unrestricted) of \$385,796. The City has invested a portion of its cash into capital assets and net capital assets has increased by \$186,258. Total assets including receivables, prepaids, and amounts due from other governments has increased by \$581,529.

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

Total liabilities for the governmental activities decreased \$1,066,043, mostly due to differences in timing of vendor payments and projects that are going on within the City.

Total net position increased by \$1,785,035 of which an increase of \$186,258 was from the net investment in capital assets, while restricted amounts increased by \$583,531, and unrestricted increased by \$1,015,245. Overall, the governmental activities net position has improved from the prior year.

Business-Type Activities:

The business-type activities have seen an increase to cash (restricted and unrestricted) of \$523,008. The City's new purchases, acquisitions, construction of capital assets, and contributed capital was more than current year depreciation expense by \$126,986. Total assets including receivables and prepaid expenses increased by \$556,748.

Total liabilities for the business-type activities increased from the prior year by \$64,375, due to timing in various bill payments.

The total net position increased by \$491,287 of which an decrease of \$33,270 was from the net investment in capital assets, the restricted amounts increased by \$74,464, and the unrestricted net position increased by \$450,093. Overall, the business-type activities net position has improved from the prior year.

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**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

Governmental Activities and Business Type Activities

	Governmental Activities		Business-type Activities		Total	
	June 30 2025	June 30 2024	June 30 2025	June 30 2024	June 30 2025	June 30 2024
Revenues:						
Program revenues:						
Charges for services	\$ 689,309	\$ 1,000,210	\$ 3,024,914	\$ 2,540,608	\$ 3,714,223	\$ 3,540,818
Grants and contributions:						
Operating	464,265	410,280	-	-	464,265	410,280
Capital	3,345	6,690	31,716	1,637,420	35,061	1,644,110
General revenues:						
Property taxes	1,498,691	1,200,726	-	-	1,498,691	1,200,726
Sales taxes	1,318,142	1,297,500	-	-	1,318,142	1,297,500
Other taxes	122,415	107,942	-	-	122,415	107,942
Lease and other financing	104,082	105,082	-	-	104,082	105,082
Other	262,178	366,033	209,264	223,867	471,442	589,900
Total revenues	4,462,427	4,494,463	3,265,894	4,401,895	7,728,321	8,896,358
Expenses:						
General government	900,739	1,123,268	-	-	900,739	1,123,268
Public safety	721,807	848,027	-	-	721,807	848,027
Public works	759,002	1,250,728	-	-	759,002	1,250,728
Parks and recreation	295,845	298,553	-	-	295,845	298,553
Water	-	-	904,486	1,002,433	904,486	1,002,433
Sewer	-	-	890,424	650,434	890,424	650,434
Solid waste	-	-	564,100	480,835	564,100	480,835
Storm sewer	-	-	415,597	448,380	415,597	448,380
Total expenses	2,677,393	3,520,576	2,774,607	2,582,082	5,452,000	6,102,658
Transfers in (out)	-	-	-	-	-	-
Change in net position	1,785,034	973,887	491,287	1,819,813	2,276,321	2,793,700
Net position-beginning, restated	17,488,258	16,513,700	18,007,517	16,215,853	35,495,775	32,729,553
Net position-ending	<u>\$19,273,292</u>	<u>\$17,487,587</u>	<u>\$18,498,804</u>	<u>\$18,035,666</u>	<u>\$37,772,096</u>	<u>\$35,523,253</u>

Governmental Activities

The change in net position for the governmental activities was \$1,785,034. This is due to the decrease in road projects that are being worked on this year.

Business-Type Activities

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

The business-type activities increased net position by \$491,287 which is due to the increase in revenues and a decrease in water and storm sewer spending. However, even though water and storm sewer spending decreased, sewer and solid waste expense increased.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Fund:	Fund Balance/Net Position		Change
	2025	2024	
General			
Nonspendable	\$ -	\$ 6	\$ (6)
Assigned	187,500	-	187,500
Class C Roads	683,600	325,126	358,474
Transportation tax	-	-	-
Unassigned	1,292,711	843,037	449,674
	<u>2,163,811</u>	<u>1,168,169</u>	<u>995,642</u>
Capital Projects			
Impact Fees	-	-	-
Transportation fees	992,508	767,451	225,057
Assigned	3,062,289	2,780,385	281,904
	<u>4,054,797</u>	<u>3,547,836</u>	<u>506,961</u>
Water			
Investment in Capital Assets	10,116,104	10,354,072	(237,968)
Special Assessment	279,298	245,158	34,140
Impact Fees	308,398	268,074	40,324
Unrestricted	2,365,329	2,010,492	354,837
	<u>13,069,129</u>	<u>12,877,796</u>	<u>191,333</u>
Sewer Unrestricted	<u>490,278</u>	<u>443,687</u>	<u>46,591</u>
Solid Waste Unrestricted	<u>307,049</u>	<u>363,161</u>	<u>(56,112)</u>
Storm Water			
Investment in Capital Assets	2,772,652	2,567,954	204,698
Impact Fees	-	-	-
Unrestricted	991,777	1,179,120	(187,343)
	<u>3,764,429</u>	<u>3,747,074</u>	<u>17,355</u>
Internal Service			
Investment in Capital Assets	1,011,633	879,852	131,781
Unrestricted	1,220,066	835,186	384,880
	<u>2,231,699</u>	<u>1,715,038</u>	<u>516,661</u>

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

General Fund Budgets

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

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

- Building permits – decreased \$25,000
- Cable Rent & Franchise fees- decreased \$25,000
- Contract services for Fire increased \$15,000
- Contract services for Police increased \$13,225

Actual General Fund revenues were \$89,257 above the original budget and \$139,257 above the final budget.

Actual General Fund expenses before transfers were \$882,703 below the original budget and \$854,478 below the final budget.

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

- Class “C” road expenditures were \$280,000 less than budgeted
- Roadway expenditures were \$131,278 less than budgeted.
- Law enforcement expenditures were \$111,717 less than budgeted

Capital Assets

Fruit Heights City added \$773,396 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: infrastructure of \$356,654, improvements of \$19,294, and vehicles of \$397,448. However, the disposed of \$228,788 in vehicles during the year

Fruit Heights City added \$471,263 in new business-type activity capital assets during the fiscal year. The following assets were acquired or constructed: \$36,697 for water system improvements and \$434,566 for the storm water system.

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

Long-Term Debt

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

**FRUIT HEIGHTS CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025**

ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

FRUIT HEIGHTS CITY
STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	4,498,397	\$ 4,951,348	\$ 9,449,745
Restricted cash	1,676,108	587,696	2,263,804
Accounts receivable, net	27,172	278,120	305,292
Grant receivable	-	-	-
Lease receivable	5,038,387	-	5,038,387
Special assessments receivable	-	2,024	2,024
Due from other governmental units	1,651,470	-	1,651,470
Due from other governmental units - restricted	62,816	-	62,816
Prepaid expenses	-	160,256	160,256
Net pension asset	-	-	-
Capital assets			
Land	1,143,597	103,875	1,247,472
Construction in progress	935,758	920,837	1,856,595
Water rights	988	16,115	17,103
Buildings	1,290,376	-	1,290,376
Infrastructure and improvements	12,094,744	16,498,387	28,593,131
Machinery and equipment	2,074,578	134,680	2,209,258
Less: accumulated depreciation	(4,853,053)	(4,785,138)	(9,638,191)
Total capital assets, net	12,686,988	12,888,756	25,575,744
TOTAL ASSETS	25,641,338	18,868,200	44,509,538
Deferred outflows of resources - pensions	133,363	38,039	171,402
TOTAL ASSETS AND DEFERRED OUTFLOWS	25,774,701	18,906,239	44,680,940
LIABILITIES			
Accounts payable	120,478	137,688	258,166
Accrued expenses	36,533	36,412	72,945
Deposits	1,347	185,181	186,528
Subdivider guarantee deposits	94,410	-	94,410
Non-current liabilities:			
Due within one year	-	-	-
Due in more than one year	117,353	47,593	164,946
TOTAL LIABILITIES	370,121	406,874	776,995
DEFERRED INFLOWS OF RESOURCES			
Related to leases	4,721,142	-	4,721,142
Unavailable revenue - property taxes	1,409,685	-	1,409,685
Related to pensions	461	561	1,022
TOTAL DEFERRED INFLOWS OF RESOURCES	6,131,288	561	6,131,849
NET POSITION			
Net investment in capital assets	12,686,988	12,888,756	25,575,744
Restricted for:			
Class "C" roads	683,600	-	683,600
Park impact fees	-	-	-
Transportation fees	992,508	-	992,508
Water impact fees	-	308,398	308,398
Special assessment	-	279,298	279,298
Unrestricted	4,910,196	5,022,352	9,932,548
TOTAL NET POSITION	19,273,292	\$ 18,498,804	\$ 37,772,096

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 900,739	566,875	\$ -	\$ -	\$ (333,864)	\$ -	\$ (333,864)
Public safety	\$ 721,807	0	-	-	(721,807)	-	(721,807)
Highways and public improvements	\$ 759,002	116,071	464,265	-	(178,666)	-	(178,666)
Parks and recreation	\$ 295,845	6,363	-	3,345	(286,137)	-	(286,137)
Total governmental activities	<u>\$ 2,677,393</u>	<u>689,309</u>	<u>464,265</u>	<u>3,345</u>	<u>(1,520,474)</u>	<u>-</u>	<u>(1,520,474)</u>
Business-type activities:							
Water	\$ 904,486	1,229,087	-	26,665	-	351,266	351,266
Sewer	\$ 890,424	915,589	-	-	-	25,165	25,165
Solid waste	\$ 564,100	494,401	-	-	-	(69,699)	(69,699)
Storm water	\$ 415,597	385,837	-	5,051	-	(24,709)	(24,709)
Total business-type activities	<u>\$ 2,774,607</u>	<u>3,024,914</u>	<u>-</u>	<u>31,716</u>	<u>-</u>	<u>282,023</u>	<u>282,023</u>
Total primary government	<u>\$ 5,452,000</u>	<u>3,714,223</u>	<u>\$ 464,265</u>	<u>\$ 35,061</u>	<u>(1,520,474)</u>	<u>282,023</u>	<u>(1,238,451)</u>
General revenues:							
Property taxes					1,498,691	-	1,498,691
Sales taxes					1,318,142	-	1,318,142
Fees-in-lieu of taxes					76,552	-	76,552
Franchise tax					45,863	-	45,863
Lease and other financing					104,082	-	104,082
Miscellaneous					262,178	209,264	471,442
Transfers in (out)					-	-	-
Total general revenues and transfers					<u>3,305,508</u>	<u>209,264</u>	<u>3,514,772</u>
Change in net position					1,785,034	491,287	2,276,321
Net position - beginning, restated					17,488,258	18,007,517	35,495,775
Net position - ending					<u>\$ 19,273,292</u>	<u>\$ 18,498,804</u>	<u>\$ 37,772,096</u>

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,095,227	\$ 3,046,867	\$ 4,142,094
Accounts receivable	11,750	15,422	27,172
Grants receivable	-	-	-
Lease receivable	5,038,387	-	5,038,387
Due from other governmental units	1,651,470	-	1,651,470
Prepaid expenses	-	-	-
Restricted assets:			
Restricted cash	683,600	992,508	1,676,108
Due from other governmental units	62,816	-	62,816
Total assets	<u>\$ 8,543,250</u>	<u>\$ 4,054,797</u>	<u>\$ 12,598,047</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 116,322	\$ -	\$ 116,322
Accrued expenses	36,533	-	36,533
Customer deposits	1,347	-	1,347
Subdivision guarantee deposits	94,410	-	94,410
Total liabilities	<u>248,612</u>	<u>-</u>	<u>248,612</u>
Deferred inflows of resources			
Deferred inflows related to leases	4,721,142	-	4,721,142
Unavailable revenue - property taxes	1,409,685	-	1,409,685
Total deferred inflows of resources	<u>6,130,827</u>	<u>-</u>	<u>6,130,827</u>
Fund balances:			
Nonspendable - prepaid expenses	-	-	-
Restricted for:			
Class "C" Roads	683,600	-	683,600
Park impact fees	-	-	-
Transportation fees	-	992,508	992,508
Assigned to:			
Capital projects fund	-	3,062,289	3,062,289
Roads	187,500	-	187,500
Unassigned	1,292,711	-	1,292,711
Total fund balances	<u>2,163,811</u>	<u>4,054,797</u>	<u>6,218,608</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,543,250</u>	<u>\$ 4,054,797</u>	<u>\$ 12,598,047</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds:		\$ 6,218,608
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 1,143,597	
Construction in progress	935,758	
Water rights	988	
Buildings	1,290,376	
Improvements	12,094,744	
Machinery and equipment	192,344	
Accumulated depreciation	<u>(3,982,452)</u>	
		11,675,355
Internal service funds are used by management to charge the costs of the vehicle and equipment fund to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		1,363,780
Net pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		-
Deferred inflows of resources, a use of net position that applies to future periods, is not shown in the fund statements.		(461)
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.		133,363
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds, but they are reported in the Statement of Net Position.		
Net pension liability	(77,907)	
Compensated absences	<u>(39,446)</u>	<u>(117,353)</u>
Net position of governmental activities		<u>\$ 19,273,292</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 1,498,691	\$ -	\$ 1,498,691
Sales taxes	1,134,512	183,630	1,318,142
Fees-in-lieu of taxes	76,552	-	76,552
Franchise tax	45,863	-	45,863
Licenses and permits	50,850	-	50,850
Intergovernmental	464,265	-	464,265
Charges for services	685,769	-	685,769
Fines and forfeitures	-	-	-
Impact fees	-	3,345	3,345
Miscellaneous revenue	80,105	182,073	262,178
Total revenues	<u>4,036,607</u>	<u>369,048</u>	<u>4,405,655</u>
EXPENDITURES			
Current:			
General government	846,824	-	846,824
Public safety	721,807	-	721,807
Highways and public improvements	378,245	162,088	540,333
Parks and recreation	222,222	-	222,222
Capital outlay:			
General government	-	-	-
Highways and public improvements	356,655	-	356,655
Parks and recreation	19,294	-	19,294
Total expenditures	<u>2,545,047</u>	<u>162,088</u>	<u>2,707,135</u>
Excess (deficiency) of revenues over expenditures	<u>1,491,560</u>	<u>206,960</u>	<u>1,698,520</u>
Other financing sources (uses)			
Lease and other financing	104,082	-	104,082
Transfers in	-	300,000	300,000
Transfers (out)	(600,000)	-	(600,000)
Total other financing sources (uses)	<u>(495,918)</u>	<u>300,000</u>	<u>(195,918)</u>
Net change in fund balances	995,642	506,960	1,502,602
Fund balances - beginning of year, restated	<u>1,168,169</u>	<u>3,547,837</u>	<u>4,716,006</u>
Fund balances - end of year	<u>\$ 2,163,811</u>	<u>\$ 4,054,797</u>	<u>\$ 6,218,608</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

Net changes in fund balances - total governmental funds	\$ 1,502,602
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Governmental funds report capital outlays as expenditures.

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

Construction in progress	\$	159,449	
Infrastructure		197,206	
Park improvements		19,294	
Buildings		-	
Machinery and equipment		-	
Depreciation expense		(321,474)	54,475

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

The net income of certain activities of the Internal Service Fund is reported with governmental activities.	252,690
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The Statement of Activities includes the net pension benefit (expense) from the adoption of GASB 68, which is not included in the fund financial statements.

(15,787)

The long-term portion of accrued leave does not require the use of current financial resources and therefore is not recorded as an expenditure in the Governmental Funds.

(8,946)

Change in net position of governmental activities

\$ 1,785,034

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental- Type Activities Internal Service Fund
<u>ASSETS</u>	Water	Sewer	Solid Waste	Storm Water	Total	
Current assets:						
Cash and cash equivalents	\$ 2,146,201	\$ 478,747	\$ 296,740	\$ 1,161,741	\$ 4,083,429	\$ 1,224,222
Accounts receivable	117,969	81,873	44,359	33,919	278,120	-
Grants receivable	-	-	-	-	-	-
Special assessments receivable	2,024	-	-	-	2,024	-
Prepaid water	160,256	-	-	-	160,256	-
Total current assets	2,426,450	560,620	341,099	1,195,660	4,523,829	1,224,222
Noncurrent assets:						
Restricted cash and cash equivalents	587,696	-	-	-	587,696	-
Net pension asset	-	-	-	-	-	-
Land	103,875	-	-	-	103,875	-
Construction in progress	920,837	-	-	-	920,837	-
Water rights	16,115	-	-	-	16,115	-
Improvements	12,743,464	-	-	3,754,923	16,498,387	-
Machinery and equipment	134,680	-	-	-	134,680	1,882,234
Less: Accumulated depreciation	(3,802,867)	-	-	(982,271)	(4,785,138)	(870,601)
Total noncurrent assets	10,703,800	-	-	2,772,652	13,476,452	1,011,633
Total assets	13,130,250	560,620	341,099	3,968,312	18,000,281	2,235,855
Deferred outflows of resources - pensions	17,560	-	-	20,479	38,039	-
Total assets and deferred outflows of resources	13,147,810	560,620	341,099	3,988,791	18,038,320	2,235,855
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	24,403	70,342	34,050	8,893	137,688	4,156
Accrued expenses	-	-	-	-	-	-
Compensated absences	22,758	-	-	13,654	36,412	-
Deposits	-	-	-	185,181	185,181	-
Total current liabilities	47,161	70,342	34,050	207,728	359,281	4,156
Noncurrent liabilities:						
Net pension liability	31,496	-	-	16,097	47,593	-
Total liabilities	78,657	70,342	34,050	223,825	406,874	4,156
Deferred inflows of resources - pensions	24	-	-	537	561	-
Total liabilities and deferred inflows of resources	78,681	70,342	34,050	224,362	407,435	4,156
<u>NET POSITION</u>						
Net investment in capital assets	10,116,104	-	-	2,772,652	12,888,756	1,011,633
Restricted - Special assessment	279,298	-	-	-	279,298	-
Restricted - Impact fees	308,398	-	-	-	308,398	-
Unrestricted	2,365,329	490,278	307,049	991,777	4,154,433	1,220,066
Total net position	\$ 13,069,129	\$ 490,278	\$ 307,049	\$ 3,764,429	17,630,885	\$ 2,231,699
Adjustment for consolidation of Internal Service Fund related to Enterprise Funds					867,919	
Net position of business-type activities					\$ 18,498,804	

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental- Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
<u>OPERATING REVENUE</u>						
Charges for service	\$ 1,210,061	\$ 915,589	\$ 494,401	\$ 385,837	\$ 3,005,888	\$ 286,250
Other	18,726	-	-	-	18,726	-
Total operating revenue	1,228,787	915,589	494,401	385,837	3,024,614	286,250
<u>OPERATING EXPENSES</u>						
Operation and maintenance	152,902	4,021	118,787	73,945	349,655	107,945
Sewage treatment	-	836,403	-	-	836,403	-
Source of supply	306,929	-	-	-	306,929	-
Power and pumping	21,827	-	-	-	21,827	11,680
Depreciation	274,665	-	-	69,612	344,277	130,926
Administrative expense	337,134	50,000	41,000	200,790	628,924	-
Salaries	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Waste collection	-	-	219,795	-	219,795	-
Waste disposal	-	-	184,518	-	184,518	-
Vehicle operation	75,000	-	-	71,250	146,250	-
Total operating expenses	1,168,457	890,424	564,100	415,597	3,038,578	250,551
Operating income (loss)	60,330	25,165	(69,699)	(29,760)	(13,964)	35,699
<u>NONOPERATING REVENUE (EXPENSES)</u>						
Connection fees	300	-	-	-	300	-
Impact fees	26,665	-	-	5,051	31,716	-
Gain (loss) on sale of asset	-	-	-	-	-	126,658
Interest revenue	121,631	21,426	13,587	52,620	209,264	54,304
Grant revenue	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Total non operating revenue and expenses	148,596	21,426	13,587	57,671	241,280	180,962
Income (loss) before contributions and transfers	208,926	46,591	(56,112)	27,911	227,316	216,661
Transfers	-	-	-	-	-	300,000
Contributed capital	-	-	-	-	-	-
Changes in net position	208,926	46,591	(56,112)	27,911	227,316	516,661
Net position - beginning, restated	12,860,203	443,687	363,161	3,736,518		1,715,038
Net position - ending	<u>\$ 13,069,129</u>	<u>\$ 490,278</u>	<u>\$ 307,049</u>	<u>\$ 3,764,429</u>		<u>\$ 2,231,699</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds					263,971	
Change in net assets of business-type activities					<u>\$ 491,287</u>	

The accompanying notes are an integral part of these statements.

**FRUIT HEIGHTS CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Cash Flows From Operating Activities						
Receipts from customers	\$ 1,204,461	\$ 891,883	\$ 489,424	\$ 387,418	\$ 2,973,186	\$ -
Receipts from interfund services	-	-	-	-	-	286,250
Payments to suppliers	(476,738)	(823,292)	(525,653)	(61,979)	(1,887,662)	(116,310)
Payments for interfund services used	(392,814)	(50,000)	(41,000)	(266,249)	(750,063)	-
Net cash provided (used) by operating activities	334,909	18,591	(77,229)	59,190	335,461	169,940
Cash Flows From Noncapital Financing Activities						
Transfer from(to) other funds	-	-	-	-	-	300,000
Net cash provided (used) by noncapital financing activities	-	-	-	-	-	300,000
Cash Flows From Capital and Related Financing Activities						
Receipts for impact fees	26,665	-	-	5,051	31,716	-
Receipts for connection fees	300	-	-	-	300	-
Grant proceeds	-	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	125,949
Purchases of capital assets	(40,882)	-	-	(276,822)	(317,704)	(261,998)
Net cash provided (used) by capital and related financing activities	(13,917)	-	-	(271,771)	(285,688)	(136,049)
Cash Flows From Investing Activities						
Interest and dividends received	121,631	21,426	13,587	52,620	209,264	54,304
Net cash provided (used) by investing activities	121,631	21,426	13,587	52,620	209,264	54,304
Net increase (decrease) in cash and cash equivalents	442,623	40,017	(63,642)	(159,961)	259,037	388,195
Cash and cash equivalents, July 1	2,291,274	438,730	360,382	1,321,702	4,412,088	836,027
Cash and cash equivalents, June 30	<u>\$ 2,733,897</u>	<u>\$ 478,747</u>	<u>\$ 296,740</u>	<u>\$ 1,161,741</u>	<u>\$ 4,671,125</u>	<u>\$ 1,224,222</u>
Cash at June 30th						
Cash and cash equivalents	\$ 2,146,201	\$ 478,747	\$ 296,740	\$ 1,161,741	\$ 4,083,429	\$ 1,224,222
Restricted cash	587,696	-	-	-	587,696	-
Total cash and cash equivalents	<u>\$ 2,733,897</u>	<u>\$ 478,747</u>	<u>\$ 296,740</u>	<u>\$ 1,161,741</u>	<u>\$ 4,671,125</u>	<u>\$ 1,224,222</u>

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities - Enterprise Funds					Governmental Type Activities Internal Service Fund
	Water	Sewer	Solid Waste	Storm Water	Total	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating income (loss)	\$ 60,330	\$ 25,165	\$ (69,699)	\$ (29,760)	\$ (13,964)	\$ 35,699
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	274,665	-	-	69,612	344,277	130,926
(Increase) decrease in prepaids	(13,582)	-	-	-	(13,582)	-
(Increase) decrease in account receivables	(24,326)	(23,706)	(4,977)	(419)	(53,428)	-
(Increase) decrease in deferred outflows relating to pensions	784	-	-	369	1,153	
Increase (decrease) in payables	18,502	17,132	(2,553)	7,455	40,536	3,315
Increase (decrease) in accrued expenses	-	-	-	-	-	-
Increase (decrease) in compensated absences	9,350	-	-	5,610	14,960	-
Increase (decrease) in pension liability	9,231	-	-	4,345	13,576	-
Increase (decrease) in deferred outflows relating to pensions	(45)	-	-	(22)	(67)	
Increase (decrease) in deposits	-	-	-	2,000	2,000	-
Total adjustments	274,579	(6,574)	(7,530)	88,950	349,425	134,241
Net cash provided (used) by operating activities	<u>\$ 334,909</u>	<u>\$ 18,591</u>	<u>\$ (77,229)</u>	<u>\$ 59,190</u>	<u>\$ 335,461</u>	<u>\$ 169,940</u>
Noncash Investing, Capital and Financing Activities:						
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these statements.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

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

A. Reporting Entity

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

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB).

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

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

B. Government-wide and Fund Financial Statements

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Additionally, the City reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Cash & Cash Equivalents and Investments

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

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

Inventories

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

Restricted Assets

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

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized.

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

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

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

Deferred Inflows of Resources – In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five types of item reported under this category. *Unavailable revenue- property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. *Unavailable revenue- ARPA* reports unspent funds received from the Coronavirus State and Local Fiscal Recovery Funds. *Deferred inflows related to leases* represents the value of the lease receivable (present value of lease payments expected to be received during the lease term) plus any payments received at or before the commencement of the lease term that relate to future periods. *Deferred inflows related to pensions* are also reported in this category. *Unavailable revenue – Other* represent overpayments from franchise companies and reimbursements for construction work not yet performed.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Obligations

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Equity

Fund financial statements:

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

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

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

Equity

Government-wide statements:

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

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

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

E. Revenues and Expenditures

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

Revenue Availability

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenditures (Continued)

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

Expenditure Recognition

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

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

F. Budgets and Budgetary Accounting

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

Summary of City Budget Procedures and Calendar

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
 - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

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

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

G. Contributions

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

H. Compensated Absences

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Use of Estimates

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

J. Restricted Resources

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

Deposits & Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by some of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2025, \$308,781 of the City's bank balances of \$558,781 was uninsured and uncollateralized.

Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

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

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

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

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

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

At June 30, 2025, the City had the following recurring fair value measurements.

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Utah Public Treasurer's Investment Fund	\$ 11,175,737	\$ -	\$ 11,175,737	\$ -
Total debt securities	\$ 11,175,737	\$ -	\$ 11,175,737	\$ -

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2025 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

Interest Rate Risk

As of June 30, 2025, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
PTIF Investments	11,175,737	11,175,737	-	-	-
	11,175,737	11,175,737	-	-	-

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Credit Risk

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

At June 30, 2025, the City's investments had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF Investments	11,175,737	-	-	-	11,175,737
	11,175,737	-	-	-	11,175,737

Concentration of Credit Risk

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

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

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

Cash on hand and on deposit:	
Cash on deposit	\$538,343
Petty cash	278
Utility cash clearing	(809)
PTIF investment	11,175,737
Total cash and investments	<u>\$ 11,713,549</u>

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

Statement of net position:	
Cash	\$ 9,449,745
Restricted cash	2,263,804
Total cash and investments	<u>\$ 11,713,549</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES

	Governmental Activities	Enterprise Funds	Total
Receivables:			
Individual accounts	\$ 15,430	\$ 280,719	\$ 296,149
Special assessments	-	2,024	2,024
Sales tax	208,392	-	208,392
Federal grant	-	-	-
Transportation tax	19,868	-	19,868
Franchise tax	11,742	-	11,742
Property taxes - current	13,525	-	13,525
Property taxes - unavailable	1,409,685	-	1,409,685
Class C Roads	62,816	-	62,816
Lease receivable	5,038,387	-	5,038,387
Total Receivables:	6,779,845	282,743	7,062,588
Less: Allowance for uncollectibles	-	(2,599)	(2,599)
Net total receivables & due from other governments	<u><u>\$ 6,779,845</u></u>	<u><u>\$ 280,144</u></u>	<u><u>\$ 7,059,989</u></u>

Statement of Net Position:

Accounts receivable	\$ 27,172	\$ 278,120	\$ 305,292
Grants receivable	-	-	-
Lease receivable	5,038,387	-	5,038,387
Special assessments	-	2,024	2,024
Due from other governments	1,651,470	-	1,651,470
Due from other governments - restricted	62,816	-	62,816
	<u><u>\$ 6,779,845</u></u>	<u><u>\$ 280,144</u></u>	<u><u>\$ 7,059,989</u></u>

Accounts Payable Due To:

	Other Governments	Vendors	Total	Payable from Restricted Assets
General Fund	\$ 82,688	\$ 33,634	\$ 116,322	\$ -
Capital Projects Fund	-	-	-	-
Water Fund	-	24,403	24,403	-
Sewer Fund	70,342	-	70,342	-
Solid Waste Fund	-	34,050	34,050	-
Storm Water Fund	-	8,893	8,893	-
Internal Service Fund	-	4,156	4,156	-
Total	<u><u>\$ 153,030</u></u>	<u><u>\$ 105,136</u></u>	<u><u>\$ 258,166</u></u>	<u><u>\$ -</u></u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - CAPITAL ASSETS

The City has no leased assets reported in their governmental or business-type activities. Capital assets activity for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Land	\$ 1,143,597	\$ -	\$ -	\$ 1,143,597
Construction In Progress	776,310	159,448	-	935,758
Water rights	988	-	-	988
Total nondepreciated assets	1,920,895	159,448	-	2,080,343
Depreciated Assets				
Buildings	1,290,376	-	-	1,290,376
Infrastructure	10,181,940	197,206	-	10,379,146
Improvements	1,696,304	19,294	-	1,715,598
Vehicles	1,713,574	397,448	(228,788)	1,882,234
Machinery and equipment	192,342	-	-	192,342
Total depreciated assets	15,074,536	613,948	(228,788)	15,459,696
Less accumulated depreciation				
Buildings	(791,074)	(36,274)	-	(827,348)
Infrastructure	(1,950,422)	(206,672)	-	(2,157,094)
Improvements	(785,081)	(69,820)	-	(854,901)
Vehicles	(833,722)	(130,926)	94,047	(870,601)
Machinery and equipment	(134,402)	(8,707)	-	(143,109)
Total	(4,494,701)	(452,399)	94,047	(4,853,053)
Net assets depreciated	10,579,835	161,549	(134,741)	10,606,643
Governmental activities capital assets, net	<u>\$12,500,730</u>	<u>\$ 320,997</u>	<u>\$(134,741)</u>	<u>\$12,686,986</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
<u>PRIMARY GOVERNMENT</u>				
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Land	\$ 103,875	\$ -	\$ -	\$ 103,875
Construction In Progress	920,837	-	-	920,837
Water rights	16,115	-	-	16,115
Total nondepreciated assets	1,040,827	-	-	1,040,827
Depreciated Assets				
Improvements-nonbuilding				
Water system	12,251,710	36,695	-	12,288,405
Irrigation water system	455,059	-	-	455,059
Storm water system	3,480,611	274,312	-	3,754,923
Equipment				
Water system	132,342	-	-	132,342
Sewer system	2,338	-	-	2,338
Total depreciated assets	16,322,060	311,007	-	16,633,067
Less accumulated depreciation				
Improvements-nonbuilding				
Water system	(3,241,018)	(258,344)	-	(3,499,362)
Irrigation water system	(168,643)	(11,962)	-	(180,605)
Storm water system	(912,658)	(69,612)	-	(982,270)
Equipment				
Water system	(116,203)	(4,360)	-	(120,563)
Sewer system	(2,338)	-	-	(2,338)
Total	(4,440,860)	(344,278)	-	(4,785,138)
Net assets depreciated	11,881,200	(33,271)	-	11,847,929
Business-type activities capital assets, net	<u>\$12,922,027</u>	<u>\$ (33,271)</u>	<u>-</u>	<u>\$12,888,756</u>

DEPRECIATION EXPENSE

	Governmental Types	Business Types	Totals
General government	\$ 36,274	-	\$ 36,274
Public Safety	-	-	-
Highways and public improvements	215,379	-	215,379
Parks	69,820	-	69,820
Internal service	130,926	-	130,926
Water	-	274,665	274,665
Storm water	-	69,612	69,612
TOTAL	<u>\$ 452,399</u>	<u>\$ 344,277</u>	<u>\$ 796,676</u>

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 – OBLIGATIONS PAYABLE

A summary of obligations payable and current year's activity follows:

	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Compensated absences	\$ 30,495	\$ 8,951	\$ -	\$ 39,446
Net pension liability	62,120	15,787	-	77,907
Total governmental activities	\$ 92,615	\$ 24,738	\$ -	\$ 117,353
Business-type activities				
Compensated absences	\$ 28,149	\$ 8,263	\$ -	\$ 36,412
Net pension liability	34,017	13,576	-	47,593
Total business-type activities	\$ 62,166	\$ 21,839	\$ -	\$ 84,005

The accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2025 was \$44,839.

NOTE 6 – LEASES RECEIVABLE

The City is reporting Leases Receivable of \$5,038,387 at June 30, 2025. For 2025, the City reported lease revenue of \$104,082 and interest revenue of \$37,229 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
American Tower property lease	\$ 1,668,631	\$ 41,443	\$ 35,911
Crown Castle property lease	3,369,756	62,639	1,318
Total lease agreements:	\$ 5,038,387	\$ 104,082	\$ 37,229

American Tower Lease – On February 1, 1997, the City entered into a five-year lease agreement with American Tower for the lease of real property for the purpose of constructing, maintaining and operating a communications facility including tower structures. Lease renewal options have been exercised, extending the lease expiration to January 2027. Based on this agreement, the City is receiving monthly payments through 2027. The renewal agreement dated February 1, 2022 provided the Tenant with the option to extend the lease for eight additional five-year renewal terms. One renewal term option has already been exercised, leaving seven remaining renewal terms.

Crown Castle Lease – On August 20, 2006, the City entered into a five-year lease agreement with Crown Castle for the lease of real property for the purpose of constructing, maintaining and operating a communications facility including tower structures. Lease renewal options have been exercised, extending the lease expiration to August 2026. Based on this agreement, the City is receiving monthly payments through 2026. The renewal agreement dated August 20, 2006 provided the Tenant with the option to extend the lease for thirteen additional five-year renewal terms. Three renewal term options have already been exercised, leaving ten remaining renewal terms.

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

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

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

Benefits Provided:

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

Summary of Benefits by System

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

* Actuarial reductions are applied

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

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

Contributions:

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2025 are as follows:

Utah Retirement Systems

	Tier 1 - DB System			Tier 2 - DB Hybrid System				Tier 2 - 401(k) Option			
	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)	Tier 2 Fund	Employee	Employer	ER 401(k)
Noncontributory System 15 - Local Government	-	16.97	-	111	0.70	15.19	-	211	-	5.19	10.00

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

For fiscal year ended June 30, 2025, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 44,210	N/A
Tier 2 Public Employees System	48,636	2,241
Total Contributions	\$ 92,846	\$ 2,241

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, 2025, we reported a net pension asset of \$125,501 and a net pension liability of \$0.

(Measurement Date): December 31, 2024

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2022	Change (Decrease)
Noncontributory System	\$ -	\$ 94,574	0.0298235%	0.0356306%	-0.0058072%
Tier 2 Public Employees System	-	30,927	0.0103699%	0.0075327%	0.0028372%
	<u>\$ -</u>	<u>\$ 125,501</u>			

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

The net pension asset and liability were measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024 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, 2025, we recognized pension expense of \$123,413. At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,722	\$ 213
Changes in assumptions	18,152	3
Net difference between projected and actual earnings on pension plan investments	30,464	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,420	806
Contributions subsequent to the measurement date	46,644	-
Total	<u>\$ 171,402</u>	<u>\$ 1,023</u>

\$46,644 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 59,243
2026	58,125
2027	(9,311)
2028	678
2029	6,789
Thereafter	8,213

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2025, we recognized pension expense of \$89,770. At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,352	\$ -
Changes in assumptions	7,823	-
Net difference between projected and actual earnings on pension plan investments	28,487	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,232	-
Contributions subsequent to the measurement date	22,112	-
Total	<u>\$ 117,006</u>	<u>\$ -</u>

\$22,112 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 55,813
2026	52,751
2027	(11,559)
2028	(2,111)
2029	-
Thereafter	-

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2025, we recognized pension expense of \$33,643. At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,370	\$ 213
Changes in assumptions	10,329	3
Net difference between projected and actual earnings on pension plan investments	1,977	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,188	806
Contributions subsequent to the measurement date	24,532	-
Total	<u>\$ 54,396</u>	<u>\$ 1,022</u>

\$24,532 was reported as deferred outflows of resources related to pensions resulting from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2025	\$ 3,430
2026	5,374
2027	2,248
2028	2,788
2029	6,789
Thereafter	8,213

Actuarial assumptions:

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.5 - 9.5 percent, average, including inflation
Investment rate of return	6.85 percent, net of pension plan investment expense, including inflation

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-term Expected Portfolio Real Rate of Return
Equity Securities	35%	7.01%	2.45%
Debt Securities	20%	2.54%	0.51%
Real Assets	18%	5.45%	0.98%
Private Equity	12%	10.05%	1.21%
Absolute Return	15%	4.36%	0.65%
Cash and Cash Equivalents	0%	0.49%	0.00%
Totals	100%		5.80%
		Inflation	2.50%
		Expected arithmetic nominal return	8.30%

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.

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

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

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 399,969	\$ 94,574	\$ (161,554)
Tier 2 Public Employees System	92,372	30,927	(16,871)
Total	\$ 492,341	\$ 125,501	\$ (178,425)

Pension Plan Fiduciary Net Position:

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

Defined Contribution Savings Plans:

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Fruit Heights City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
401(k) Plan			
Employer Contributions	\$ 10,588	\$ 12,144	\$ 19,732
Employee Contributions	6,142	10,625	1,100
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	1,150	-	500

NOTE 8 - POST-EMPLOYMENT BENEFITS

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

NOTE 9 - RISK MANAGEMENT

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

The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2025, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE- COMPENSATED ABSENCES

The City has implemented Government Accounting Standards Board (GASB) statement 101, Compensated Absences. The objective of this statement is to better meet the financial needs of the user by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Upon evaluation of the new standard the beginning balance of Net Position and Compensated Absences were adjusted as follows:

FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE- COMPENSATED ABSENCES

	Governmental Activities	
	Net Position	Compensated Absences
Original Balance June 30, 2024	\$ 17,487,587	\$ 31,166
Restated for GASB 101	671	(671)
Restated balance at June 30, 2024	<u>\$ 17,488,258</u>	<u>\$ 30,495</u>

	Business Type Activities	
	Net Position	Compensated Absences
Original Balance June 30, 2024	\$ 18,035,666	\$ -
Restated for GASB 101	(28,150)	28,150
Restated balance at June 30, 2024	<u>\$ 18,007,516</u>	<u>\$ 28,150</u>

NOTE 11 - INTERFUND CHARGES FOR SERVICES

During the year ended June 30, 2025, the interfund charges for services were as follows:

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

Water fund	\$ 75,000
Storm water fund	71,250
General fund - roads	70,000
General fund - parks	70,000
	<u>\$ 286,250</u>

General Fund charges for services administrative cost share charged to:

Water fund	\$ 277,164
Solid waste fund	28,500
Storm water fund	158,000
Sewer fund	37,500
	<u>\$ 501,164</u>

General fund building costs share charged to:

Water fund	\$ 50,000
Solid waste fund	12,500
Storm water fund	35,000
Sewer fund	12,500
	<u>\$ 110,000</u>

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 12 - RESTRICTIONS OF FUND BALANCE/NET POSITION

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

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

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

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

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

NOTE 13 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1 st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun. 22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption Payment and delinquency date	Nov. 30

**FRUIT HEIGHTS CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 14 – INTERFUND BALANCES AND TRANSFERS

As of June 30, 2025, no balances existed between funds.

During the 2025 year a transfer of \$300,000 was made from the General Fund to the Capital Projects Fund. During this year the General Fund also transferred \$300,000 into the Internal Service Fund.

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 30, 2025, the date the financials were available to be used.

REQUIRED SUPPLEMENTARY INFORMATION

FRUIT HEIGHTS CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 1,408,000	\$ 1,408,000	\$ 1,498,691	\$ 90,691
Fees-in-lieu taxes	65,000	65,000	76,552	11,552
Franchise tax - cable rent	40,000	15,000	45,863	30,863
Sales tax	1,100,000	1,100,000	1,134,512	34,512
Total taxes	2,613,000	2,588,000	2,755,618	167,618
Licenses and permits:				
Business licenses and permits	5,000	5,000	8,185	3,185
Building permits	52,750	27,750	40,780	13,030
Excavation fee	2,000	2,000	1,885	(115)
Total licenses and permits	59,750	34,750	50,850	16,100
Intergovernmental:				
Class "C" roads	295,000	295,000	358,474	63,474
Federal grants	-	-	-	-
Local option tax	103,000	103,000	105,791	2,791
Total intergovernmental	398,000	398,000	464,265	66,265
Charges for services:				
Subdivision and engineering fees	30,000	30,000	17,749	(12,251)
Inspection fees	40,000	40,000	55,657	15,657
Building rent	111,600	111,600	110,000	(1,600)
Administrative services	564,500	564,500	496,000	(68,500)
Park fees	3,500	3,500	6,363	2,863
Total charges for services	749,600	749,600	685,769	(63,831)
Fines and forfeitures	-	-	-	-
Other revenues:				
Interest earnings	100,000	100,000	45,721	(54,279)
Miscellaneous	27,000	27,000	34,384	7,384
Total other revenues	127,000	127,000	80,105	(46,895)
Total revenues	\$ 3,947,350	\$ 3,897,350	\$ 4,036,607	\$ 139,257

FRUIT HEIGHTS CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Current:				
General government:				
Mayor and council	\$ 44,700	\$ 44,700	\$ 37,473	\$ 7,227
Executive	290,850	290,850	236,213	54,637
City treasurer	97,600	97,600	78,534	19,066
City recorder	86,000	86,000	63,905	22,095
Professional and technical services	53,000	53,000	53,842	(842)
City hall operations	81,300	81,300	42,747	38,553
Emergency preparedness	1,000	1,000	211	789
Non-departmental	337,000	337,000	256,919	80,081
Elections	10,300	10,300	289	10,011
Planning and zoning	121,100	121,100	76,691	44,409
Total general government	<u>1,122,850</u>	<u>1,122,850</u>	<u>846,824</u>	<u>276,026</u>
Public Works:				
Public works	367,500	354,275	351,672	2,603
Total public works	<u>367,500</u>	<u>354,275</u>	<u>351,672</u>	<u>2,603</u>
Public safety:				
Law enforcement	452,100	452,100	340,383	111,717
Fire protection	350,500	335,500	330,750	4,750
Protective inspection	77,600	77,600	50,674	26,926
Total public safety	<u>880,200</u>	<u>865,200</u>	<u>721,807</u>	<u>143,393</u>
Roadways:				
Roads	515,100	515,100	383,228	131,872
Class "C" roads	280,000	280,000	-	280,000
Total roadways	<u>795,100</u>	<u>795,100</u>	<u>383,228</u>	<u>411,872</u>
Parks and recreation:				
Parks	261,500	261,500	222,222	39,278
Recreation	600	600	19,294	(18,694)
Total parks and recreation	<u>262,100</u>	<u>262,100</u>	<u>241,516</u>	<u>20,584</u>
Total expenditures	<u>3,427,750</u>	<u>3,399,525</u>	<u>2,545,047</u>	<u>854,478</u>
Excess (deficiency) of revenues over expenditures	<u>519,600</u>	<u>497,825</u>	<u>1,491,560</u>	<u>(993,735)</u>
Other financing sources (uses)				
Appropriation of fund balance	(100,800)	(79,025)	-	(79,025)
Lease and other financing proceeds	100,000	100,000	104,082	(4,082)
Transfers (out)	(518,800)	(518,800)	(600,000)	(81,200)
Total other financing sources (uses)	<u>(519,600)</u>	<u>(497,825)</u>	<u>(495,918)</u>	<u>(164,307)</u>
Net change in fund balance	-	-	995,642	(1,158,042)
Fund balance - beginning of year, restated	<u>1,168,169</u>	<u>1,168,169</u>	<u>1,168,169</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,168,169</u>	<u>\$ 1,168,169</u>	<u>\$ 2,163,811</u>	<u>\$ (1,158,042)</u>

FRUIT HEIGHTS CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2025
with a measurement date of December 31, 2024
Last 10 fiscal years*

		Noncontributory System	Tier 2 Public Employees System
Proportion of the net pension liability (asset)	2025	0.0298235%	0.0103699%
	2024	0.0356306%	0.0075327%
	2023	0.0387567%	0.0064526%
	2022	0.0349348%	0.0059775%
	2021	0.0315691%	0.0081469%
	2020	0.0365862%	0.0115573%
	2019	0.0407770%	0.0089296%
	2018	0.0409432%	0.0090631%
	2017	0.0389707%	0.0090449%
	2016	0.0385280%	0.0072274%
Proportion share of the net pension liability (asset)	2025 \$	94,574	\$ 30,927
	2024 \$	82,648	\$ 14,661
	2023 \$	66,380	\$ 7,026
	2022 \$	(200,075)	\$ (2,530)
	2021 \$	16,193	\$ 1,172
	2020 \$	137,889	\$ 2,599
	2019 \$	300,271	\$ 3,824
	2018 \$	179,384	\$ 799
	2017 \$	250,240	\$ 1,009
	2016 \$	218,010	\$ (16)
Covered employee payroll	2025 \$	253,165	\$ 307,212
	2024 \$	343,978	\$ 194,747
	2023 \$	364,579	\$ 140,913
	2022 \$	292,388	\$ 110,863
	2021 \$	251,192	\$ 130,282
	2020 \$	296,227	\$ 160,527
	2019 \$	349,016	\$ 104,535
	2018 \$	348,292	\$ 88,643
	2017 \$	333,649	\$ 74,175
	2016 \$	326,470	\$ 46,702
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2025	37.36%	10.07%
	2024	24.03%	7.53%
	2023	18.21%	4.99%
	2022	-68.43%	-2.28%
	2021	6.45%	0.90%
	2020	46.55%	1.62%
	2019	86.03%	3.66%
	2018	51.5%	0.90%
	2017	75.0%	1.36%
	2016	66.8%	-0.03%
Plan fiduciary net position as a percentage of the total pension liability	2025	96.0%	87.4%
	2024	96.9%	89.6%
	2023	97.5%	92.3%
	2022	108.7%	103.8%
	2021	99.2%	98.3%
	2020	93.7%	96.5%
	2019	87.0%	90.8%
	2018	91.9%	97.4%
	2017	87.3%	95.1%
	2016	87.8%	100.2%

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

See accompanying notes to required supplementary information

FRUIT HEIGHTS CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
JUNE 30, 2025
with a measurement date of December 31, 2024
Last 10 fiscal years*

	<u>June 30th</u>	<u>Actuarial Determined Contributions</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contribution as a percentage of covered employee payroll</u>
Noncontributory System	2016	60,557	60,557	-	327,868	18.47%
	2017	63,449	63,449	-	343,525	18.47%
	2018	64,440	64,440	-	348,891	18.47%
	2019	63,214	63,214	-	349,822	18.07%
	2020	47,632	47,632	-	258,213	18.45%
	2021	48,218	48,218	-	261,061	18.47%
	2022	58,289	58,289	-	315,585	18.47%
	2023	67,739	67,739	-	376,956	17.97%
	2024	53,641	53,641	-	298,501	17.97%
	2025	44,210	44,210	-	260,521	16.97%
Tier 2 Public Employees System*	2016	9,476	9,476	-	63,556	14.91%
	2017	11,480	11,480	-	76,996	14.91%
	2018	15,831	15,831	-	104,772	15.11%
	2019	18,486	18,486	-	118,957	15.54%
	2020	24,978	24,978	-	159,499	15.66%
	2021	18,112	18,112	-	114,635	15.80%
	2022	21,116	21,116	-	131,401	16.07%
	2023	20,573	18,112	-	128,503	16.01%
	2024	45,602	45,602	-	284,834	16.01%
	2025	48,636	48,636	-	320,182	15.19%
Tier 2 Public Employees DC Only System*	2020	2,343	2,343	-	27,530	8.51%
	2021	3,980	3,980	-	59,493	6.69%
	2022	3,158	3,158	-	47,202	6.69%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
	2025	-	-	-	-	0.00%

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

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

See accompanying notes to required supplementary information

**FRUIT HEIGHTS CITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
JUNE 30, 2025**

Changes in Assumptions:

There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

AUDITOR'S REPORTS & SCHEDULE OF FINDINGS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Mayor and City Council
Fruit Heights City
Fruit Heights, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fruit Heights City ("the City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Gilbert & Stewart

GILBERT & STEWART, CPA PC

Provo, Utah

December 30, 2025



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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

The Mayor and City Council
Fruit Heights City
Fruit Heights, Utah

REPORT ON COMPLIANCE

We have audited Fruit Heights City's ("the City") compliance with the applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor for the year ended June 30, 2025.

State compliance requirements were tested for the year ended June 30, 2025 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Fraud Risk Assessment
- Government Fees
- Cash Management
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Tax Levy Revenue Recognition
- Impact Fees
- Utah Retirements Systems
- Crime Insurance for Public Treasurers

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the *State Compliance Audit Guide* (Guide), issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit Guide* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 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 *State Compliance Audit Guide* and which are described in our letter to management dated December 30, 2025 as item 25-1. 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 our letter to management dated December 30, 2025 as item 25-1. the City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or 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 consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G, Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Gilbert & Stewart

GILBERT & STEWART, CPA PC
Provo, UT
December 30, 2025