



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2022**

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SMITHFIELD CITY
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INTRODUCTORY SECTION

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SMITHFIELD CITY CORPORATION

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OFFICIALS

KRIS MONSON
MAYOR
CRAIG GILES
CITY MANAGER
JUSTIN B. LEWIS
CITY RECORDER
JANE PRICE
CITY TREASURER

COUNCIL MEMBERS

WADE C. CAMPBELL
DEON HUNSAKER
SUE HYER
CURTIS WALL
JON WELLS

September 30, 2022

Smithfield City Council
Smithfield, Utah

Council:

It is with great pleasure that the financial statements for Smithfield City for the year ended June 30, 2022, are presented.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2022, in accordance with these requirements.

This report consists of management's representations concerning the finances of Smithfield City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.



Smithfield City's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Smithfield City for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Smithfield City's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity includes all funds of the primary government (i.e., Smithfield City, as legally defined).

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Kristi Monson
Smithfield City

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Smithfield City
Smithfield, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Smithfield City, UT, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Smithfield City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Smithfield City, UT, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Smithfield 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

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

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 Smithfield City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Smithfield 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 Smithfield 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 pension schedules 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 Information

Management is responsible for the other information. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of Smithfield City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smithfield City's internal control over financial reporting and compliance.

Yours truly,

A handwritten signature in cursive script that reads "Allred Jackson".

Allred Jackson
North Logan, UT
September 30, 2022

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SMITHFIELD CITY
Management's Discussion and Analysis

For the Year Ended June 30, 2022

As management of Smithfield City, we offer readers of Smithfield City's financial statements this narrative overview and analysis of the financial activities of Smithfield City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The total net position of Smithfield City was \$71,383,940. Of this amount, \$46,891,424 consisted of capital assets, net of any related debt and \$4,075,869 of restricted net position. As such, the City has \$7,122,601 of unrestricted governmental net position and \$13,294,046 of unrestricted business-type net position.
- The long-term debt of the City decreased \$217,837. The decrease in long-term liabilities was primarily the result of repayment of debt principal. Changes in long-term debt included principal reduction of \$243,366 and an increase in compensated absences accrual of \$25,529.
- The City operated its governmental activities as planned.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

- The Statement of Net Position presents information on all of Smithfield City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Smithfield City is improving or deteriorating. However, users should also consider other nonfinancial factors.
- The Statement of Activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Smithfield City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 23 - 25 of this report.

SMITHFIELD CITY Management's Discussion and Analysis

Continued

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

- Governmental Funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the flow of resources and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation included with the fund financial statements. The major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Redevelopment Agency Fund (RDA), and Capital Improvements Fund.
- Proprietary Funds – The City uses enterprise funds to account for proprietary fund activity, which includes water utility, sewer, and storm sewer. The funds are reported using the same method as the Statement of Activities. As determined by generally accepted accounting principles, each of these enterprise funds meets the criteria for major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated previously, net position may serve over time as a useful indicator of a government's financial position. In the case of Smithfield City, assets exceeded liabilities by \$71,383,940.

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

SMITHFIELD CITY
Management's Discussion and Analysis

Continued

The following table summarizes the City's net position as of June 30, 2022:

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Current and other assets	\$ 14,309,493	\$ 10,720,732	\$ 16,260,192	\$ 13,388,681
Capital assets	30,897,226	28,560,570	18,423,936	16,057,322
Deferred outflow of resources	495,677	362,583	157,716	126,569
Total assets and deferred outflow of resources	<u>45,702,396</u>	<u>39,643,885</u>	<u>34,841,844</u>	<u>29,572,572</u>
Long-term debt outstanding	1,926,738	2,029,575	503,000	618,000
Other liabilities	2,384,672	2,274,093	930,343	1,007,515
Deferred inflow of resources	2,973,129	2,042,364	442,418	210,722
Total liabilities and deferred inflow of resources	<u>7,284,539</u>	<u>6,346,032</u>	<u>1,875,761</u>	<u>1,836,237</u>
Net position:				
Net investment in capital assets	28,970,488	26,530,995	17,920,936	15,439,322
Restricted	2,324,768	1,766,632	1,751,101	817,484
Unrestricted	7,122,601	5,000,226	13,294,046	11,479,529
Total net position	<u>\$ 38,417,857</u>	<u>\$ 33,297,853</u>	<u>\$ 32,966,083</u>	<u>\$ 27,736,335</u>

SMITHFIELD CITY
Management's Discussion and Analysis

Continued

Governmental activities increased Smithfield City's net position by \$5,120,004 and business-type activities increased net position by \$5,229,748. The elements of these increases for the fiscal year ended June 30, 2022 were as follows:

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Revenues:				
Program revenues:				
Charges for services	\$ 6,345,177	\$ 6,057,679	\$ 5,550,709	\$ 5,249,346
Operating grants & contributions	1,990,886	1,781,026	-	-
Capital grants & contributions	2,178,613	692,076	3,717,607	2,217,126
General revenues:				
Property taxes	1,425,861	1,393,761	-	-
Other taxes	3,990,748	3,338,181	-	-
Investment income	74,594	52,920	37,160	38,584
Other revenues	19,227	4,722	-	-
Total revenues	<u>\$ 16,025,106</u>	<u>\$ 13,320,365</u>	<u>\$ 9,305,476</u>	<u>\$ 7,505,056</u>

SMITHFIELD CITY
Management's Discussion and Analysis

Continued

Continued from previous page:

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
Expenses:				
General government	\$ 239,700	\$ 865,503	\$ -	\$ -
Public safety	3,628,492	2,896,051	-	-
Highways/public improvements	3,299,138	3,607,256	-	-
Parks & recreation	3,397,919	3,126,063	-	-
Library	301,214	273,182	-	-
Interest on long-term debt	38,639	48,304	-	-
Water	-	-	1,431,824	1,406,649
Sewer	-	-	2,304,217	2,209,104
Storm sewer	-	-	339,687	372,361
Golf	-	-	-	-
Total expenses	<u>10,905,102</u>	<u>10,816,359</u>	<u>4,075,728</u>	<u>3,988,114</u>
Change in net position	5,120,004	2,504,006	5,229,748	3,516,942
Transfers	-	-	-	-
Net change in net position	5,120,004	2,504,006	5,229,748	3,516,942
Net position, beginning of year	33,297,853	30,793,847	27,736,335	24,219,393
Net position, end of year	<u>\$ 38,417,857</u>	<u>\$ 33,297,853</u>	<u>\$ 32,966,083</u>	<u>\$ 27,736,335</u>

SMITHFIELD CITY Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$9,721,431. Of this total amount \$7,257,109 constitutes unreserved fund balance (committed, assigned and unassigned), which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or is non-spendable.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,317,609, while total fund balance reached \$6,686,994. As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The fund balance represents 58 percent of total General Fund expenditures. The General Fund unreserved fund balance ended at 30 percent of total General Fund revenues, which is in compliance with the state limit of 35 percent or less.

As stated previously, the City maintains enterprise funds to account for the business-type activities of the City. Information regarding these activities can be found in the government-wide financial statements but is also reported in greater detail in the separate fund financial statements included within this report.

Unrestricted net position of the Water, Sewer, and Storm Sewer funds at the end of the year amounted to \$13,294,046. Revenues and expenditures from normal operations remained fairly stable with some increases in both areas.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the budget was amended twice. Property tax revenue increased because of new growth. Sales tax revenue saw a significant increase over previous years. RAPZ Tax funding was received. A new restroom facility was installed at Forrester Acres with the funding. Almost all tax revenue was higher than anticipated. The police department received a couple of grants including a JAG Grant. The fire department received a BEMS and FEMA grants. A local grant was received to help pay for the 1000 South Main signal light and road expansion project which added a new road from Main Street to 100 East as well as a signal light at 1000 South Main. The wildland fire team had another busy year fighting wildfires in several western states. A grant was received from the State of Utah to pay for a new roof on the Douglass Mercantile Building. The library received CLEF, Cares Act and ARPA grants. Ambulance revenue continues to increase as the area served by the department continues to see the population increase. The first election by mail hosted by the city in conjunction with the county was held. Several more city owned properties were converted from culinary water use to irrigation water use.

SMITHFIELD CITY
Management's Discussion and Analysis

Continued

Capital Asset and Debt Administration

Smithfield City's investment in capital assets for its governmental and proprietary fund activities as of June 30, 2022 amounts to \$49,321,162 (net of accumulated depreciation). The investments in capital assets include land, buildings and improvements, system improvements, vehicles and equipment, infrastructure, and water rights. There was a total increase in the City's investment in fixed assets for the current year of \$4,703,270.

Major capital asset events during the current fiscal year including improvements to new subdivisions were as follows:

•	Road, sidewalk and infrastructure	\$2,930,511
•	Sewer line improvements	1062,667
•	Water line improvements	1,328,551
•	Storm sewer improvements	268,054
•	Building and improvements	220,079
•	Vehicles and equipment	1,655,001

	Governmental Activities	Business-type Activities	Total
Land	\$ 7,491,642	\$ 319,268	\$ 7,810,910
Buildings and improvements	15,615,554	1,365,531	16,981,085
System improvements	-	29,076,515	29,076,515
Vehicles and equipment	5,533,036	1,935,261	7,468,297
Infrastructure	23,055,959	-	23,055,959
Water rights	-	309,595	309,595
Construction in progress	-	185,914	185,914
Accumulated depreciation	(20,798,965)	(14,768,148)	(35,567,113)
Total assets	\$ 30,897,226	\$ 18,423,936	\$ 49,321,162

SMITHFIELD CITY
Management's Discussion and Analysis

Continued

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,187,000. Of this amount, \$2,187,000 is debt that is secured by specific revenue sources (i.e. revenue bonds).

During the current fiscal year, the City's total bonded debt decreased by \$202,000.

	Governmental Activities	Business-type Activities	Total
Revenue bonds	\$ 1,684,000	\$ 503,000	\$ 2,187,000

Additional information on the City's long-term debt (including financing leases) can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET IMPACT

Property tax, sales tax, fee in lieu, mass transit and local road tax were higher than anticipated.

Building permit revenue slightly increased and subdivision and other development fees had a decrease over previous years.

Several grants were received including RAPZ Tax, FEMA, BEMS, ARPA Book, Library Cares Act, CLEF, and a State of Utah grant.

A large grant from the COG (Council of Governments) was received which helped to fund the 1000 South Main signal light and road expansion project.

The wildland fire team had another busy year and generated significant revenue for the city.

Donations were received for the fire department, historical society and library.

Rec Center and Golf Course revenue were substantially higher than anticipated.

A significant amount of park, storm water, sewer, and culinary water impact fees were collected as the city continues to grow.

A significant amount of water dedication revenue was collected to help fund future culinary water expansion projects.

**SMITHFIELD CITY
Management's Discussion and Analysis**

Continued

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of Smithfield City's finances for all those with an interest in the City's financials. Questions concerning any information provided in this report or request for additional information should be addressed to Smithfield City Manager, P.O. Box 96, Smithfield, Utah, 84335.

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BASIC FINANCIAL STATEMENTS

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SMITHFIELD CITY
Statement of Net Position

As of June 30, 2022

	Governmental Activities	Business-type Activities	Total 2022	Memorandum 2021
Assets				
Cash and investments	\$ 5,385,612	\$ 12,916,895	\$ 18,302,507	\$ 17,058,481
Cash - restricted	3,590,237	2,462,684	6,052,921	3,617,223
Receivables - net	4,003,139	562,472	4,565,611	3,173,474
Inventories	139,554	-	139,554	87,023
Total current assets	13,118,542	15,942,051	29,060,593	23,936,201
Capital assets				
Land	7,491,642	319,268	7,810,910	7,810,910
Buildings and improvements	15,615,554	1,365,531	16,981,085	16,761,006
System improvements	-	29,076,515	29,076,515	26,603,157
Vehicles and equipment	5,533,036	1,935,261	7,468,297	5,863,159
Infrastructure	23,055,959	-	23,055,959	20,125,448
Water rights	-	309,595	309,595	309,595
Construction in progress	-	185,914	185,914	82,440
Accumulated depreciation	(20,798,965)	(14,768,148)	(35,567,113)	(32,937,823)
Right of use asset - vehicles	125,870	-	125,870	-
Pension asset	1,065,081	318,141	1,383,222	173,212
Total assets	45,206,719	34,684,128	79,890,847	68,727,305
Deferred outflow of resources - refunding	-	9,657	9,657	12,070
Deferred outflow of resources - pensions	495,677	148,059	643,736	477,082
Total assets and deferred outflows	\$ 45,702,396	\$ 34,841,844	\$ 80,544,240	\$ 69,216,457

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Statement of Net Position

Continued

	Governmental Activities	Business-type Activities	Total 2022	Memorandum 2021
Liabilities and deferred inflows of resources				
Accounts payable and accrued liabilities	\$ 631,642	\$ 1,048,631	\$ 1,680,273	\$ 1,799,238
Deposits	1,265,469	240,852	1,506,321	1,221,672
Bonds and notes payable - current	332,738	119,000	451,738	413,119
Internal balances	359,140	(359,140)	-	-
Lease liability - vehicles	128,421	-	128,421	-
Net pension liability	-	-	-	260,698
Bonds and notes payable - noncurrent	1,594,000	384,000	1,978,000	2,234,456
Total liabilities	<u>4,311,410</u>	<u>1,433,343</u>	<u>5,744,753</u>	<u>5,929,183</u>
Deferred inflows of resources - pensions	1,481,134	442,418	1,923,552	878,009
Deferred inflows of resources - property taxes	1,491,995	-	1,491,995	1,375,077
Total liabilities and deferred inflows of resources	<u>7,284,539</u>	<u>1,875,761</u>	<u>9,160,300</u>	<u>8,182,269</u>
Net Position				
Net investment in capital assets	28,970,488	17,920,936	46,891,424	41,970,317
Restricted for debt and capital improvements	2,324,768	1,751,101	4,075,869	2,584,116
Unrestricted	7,122,601	13,294,046	20,416,647	16,479,755
Total net position	<u>\$ 38,417,857</u>	<u>\$ 32,966,083</u>	<u>\$ 71,383,940</u>	<u>\$ 61,034,188</u>

SMITHFIELD CITY
Statement of Activities

For the Year Ended June 30, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Memorandum 2021
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total 2022	
Governmental activities:								
General government	\$ 239,700	\$ 229,812	\$ 6,160	\$ -	\$ (3,728)	\$ -	\$ (3,728)	\$ 509,989
Public safety	3,628,492	2,171,031	291,974	155,560	(1,009,927)	-	(1,009,927)	(610,789)
Highways and public works	3,299,138	1,251,065	1,619,165	1,854,878	1,425,970	-	1,425,970	(1,482,096)
Parks and recreation	3,397,919	2,682,741	500	168,175	(546,503)	-	(546,503)	(412,427)
Library	301,214	10,528	73,087	-	(217,599)	-	(217,599)	(241,951)
Interest on long-term debt	38,639	-	-	-	(38,639)	-	(38,639)	(48,304)
Total governmental activities	<u>10,905,102</u>	<u>6,345,177</u>	<u>1,990,886</u>	<u>2,178,613</u>	<u>(390,426)</u>	<u>-</u>	<u>(390,426)</u>	<u>(2,285,578)</u>
Business-type activities:								
Water Utility	1,431,824	2,178,478	-	1,716,932	-	2,463,586	2,463,586	1,588,766
Sewer	2,304,217	2,315,580	-	1,589,154	-	1,600,517	1,600,517	629,973
Storm sewer	339,687	1,056,651	-	411,521	-	1,128,485	1,128,485	1,259,619
Total business-type activities	<u>\$ 4,075,728</u>	<u>\$ 5,550,709</u>	<u>\$ -</u>	<u>\$ 3,717,607</u>	<u>-</u>	<u>5,192,588</u>	<u>5,192,588</u>	<u>3,478,358</u>
General Revenues:								
Property taxes					1,425,861	-	1,425,861	1,393,761
General sales and use tax					2,688,316	-	2,688,316	2,214,252
Other taxes					1,302,432	-	1,302,432	1,123,929
Unrestricted investment earnings					74,594	37,160	111,754	91,504
Gain (loss) on disposal of asset					19,227	-	19,227	4,722
Miscellaneous income					-	-	-	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>5,510,430</u>	<u>37,160</u>	<u>5,547,590</u>	<u>4,828,168</u>
Change in net position					5,120,004	5,229,748	10,349,752	6,020,948
Net position, beginning					<u>33,297,853</u>	<u>27,736,335</u>	<u>61,034,188</u>	<u>55,013,240</u>
Net position, ending					<u>\$ 38,417,857</u>	<u>\$ 32,966,083</u>	<u>\$ 71,383,940</u>	<u>\$ 61,034,188</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Balance Sheet
Governmental Funds

As of June 30, 2022

	General	Special Revenue RDA	Capital Improvements Fund	2022	Memorandum 2021
Assets					
Cash and investments	\$ 2,446,112	\$ -	\$ 2,939,500	\$ 5,385,612	\$ 5,016,206
Restricted cash and investments	3,495,300	94,937	-	3,590,237	2,799,739
Receivables (net):					
Property tax	1,533,996	-	-	1,533,996	1,434,584
Other taxes	598,756	-	-	598,756	538,099
Other	1,870,387	-	-	1,870,387	671,869
Inventory	139,554	-	-	139,554	87,023
Total assets	<u>\$ 10,084,105</u>	<u>\$ 94,937</u>	<u>\$ 2,939,500</u>	<u>\$ 13,118,542</u>	<u>\$ 10,547,520</u>
Liabilities and deferred inflow of resources					
Accounts payable and accrued liabilities	\$ 631,642	\$ -	\$ -	\$ 631,642	\$ 640,485
Deposits and escrow	1,265,469	-	-	1,265,469	1,007,047
Total liabilities	<u>1,897,111</u>	<u>-</u>	<u>-</u>	<u>1,897,111</u>	<u>1,647,532</u>
Deferred inflows of resources-taxes	1,500,000	-	-	1,500,000	1,400,000
Total liabilities and deferred inflow of resources	<u>\$ 3,397,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,397,111</u>	<u>\$ 3,047,532</u>

**SMITHFIELD CITY
Balance Sheet
Governmental Funds**

Continued

	General	Special Revenue RDA	Capital Improvements Fund	2022	Memorandum 2021
Fund balance					
Nonspendable:					
Inventory	\$ 139,554	\$ -	\$ -	\$ 139,554	\$ 87,023
Restricted for:					
Roads and capital projects	1,968,328	94,937	-	2,063,265	1,510,415
Liquor law	38,597	-	-	38,597	33,443
Debt Service	222,906	-	-	222,906	222,774
Committed for:					
Capital projects	-	-	2,939,500	2,939,500	2,526,439
Unassigned for:					
General fund	4,317,609	-	-	4,317,609	3,119,894
Total fund balances	<u>6,686,994</u>	<u>94,937</u>	<u>2,939,500</u>	<u>9,721,431</u>	<u>7,499,988</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 10,084,105</u>	<u>\$ 94,937</u>	<u>\$ 2,939,500</u>	<u>\$ 13,118,542</u>	<u>\$ 10,547,520</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position****As of June 30, 2022**

Total fund balances of governmental funds		\$ 9,721,431
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	\$ 7,491,642	
Construction in progress	-	
Buildings and improvements	15,615,554	
Equipment and vehicles	5,533,036	
Infrastructure	23,055,959	
Accumulated depreciation	<u>(20,798,965)</u>	
		30,897,226
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period and therefore are not reported in the funds.		
Net pension asset	\$ 1,065,081	
Deferred outflows of resources - pensions	495,677	
Deferred inflows of resources - pensions	(1,481,134)	
Net pension liability	<u>-</u>	
		79,624
Certain receivables will be collected after the year end, but are not available soon enough to pay for the current period's expenditures, and are therefore offset by deferred inflows of resources in the funds.		
Delinquent property taxes	\$ <u>8,005</u>	
		8,005
Interfund loans		(359,140)
Right of use assets and related lease liabilities are not due and payable in the current period or financial resources and therefore are not reported in the funds.		
Right of use assets - vehicles	\$ 125,870	
Lease liability - vehicles	<u>(128,421)</u>	
		(2,551)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (1,684,000)	
Compensated absences	(199,269)	
Notes payable	<u>(43,469)</u>	
		(1,926,738)
Net position of governmental activities		<u>\$ 38,417,857</u>

SMITHFIELD CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2022

	General	Special Revenue RDA	Capital Improvements Fund	2022	Memorandum 2021
Revenues:					
Taxes	\$ 5,433,527	\$ -	\$ -	\$ 5,433,527	\$ 4,729,752
Licenses and permits	101,932	-	-	101,932	113,288
Intergovernmental	2,449,282	-	-	2,449,282	2,596,268
Charges for services	5,979,073	-	-	5,979,073	5,185,411
Investment earnings	70,816	-	3,778	74,594	52,920
Fines and forfeitures	28,383	-	-	28,383	97,438
Library	34,133	-	-	34,133	21,637
Miscellaneous revenues	66,995	-	-	66,995	126,487
Total revenues	<u>14,164,141</u>	<u>-</u>	<u>3,778</u>	<u>14,167,919</u>	<u>12,923,201</u>
Expenditures:					
Current:					
General government	568,822	-	-	568,822	1,455,957
Public safety	3,660,847	-	-	3,660,847	3,083,686
Highways and public works	3,700,959	25	-	3,700,984	2,944,697
Parks and recreation	3,042,889	-	689,517	3,732,406	3,085,453
Library	250,265	-	-	250,265	223,424
Debt service:					
Principal retirement	202,339	-	-	202,339	192,781
Interest and fiscal charges	38,639	-	-	38,639	48,304
Total expenditures	<u>11,464,760</u>	<u>25</u>	<u>689,517</u>	<u>12,154,302</u>	<u>11,034,302</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,699,381</u>	<u>\$ (25)</u>	<u>\$ (685,739)</u>	<u>\$ 2,013,617</u>	<u>\$ 1,888,899</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Continued

	General	Special Revenue RDA	Capital Improvements Fund	2022	Memorandum 2021
Other financing sources (uses):					
Transfers in	\$ 28,000	\$ -	\$ 1,098,800	\$ 1,126,800	\$ 1,028,000
Transfers out	(1,098,800)	(28,000)	-	(1,126,800)	(1,028,000)
Proceeds from loan	167,826	-	-	167,826	-
Sale of assets	40,000	-	-	40,000	4,722
Total other financing sources (uses)	(862,974)	(28,000)	1,098,800	207,826	4,722
Net change in fund balance	1,836,407	(28,025)	413,061	2,221,443	1,893,621
Fund balances, beginning	4,850,587	122,962	2,526,439	7,499,988	5,606,367
Fund balances, ending	\$ 6,686,994	\$ 94,937	\$ 2,939,500	\$ 9,721,431	\$ 7,499,988

SMITHFIELD 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, 2022

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

Net change in fund balances-total governmental funds	\$ 2,221,443
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 outlay (\$2,331,741) exceeded depreciation (\$1,829,190) and gain on sale (\$20,773) in the current period.	481,778
Government funds do not report the contribution of capital assets from third parties. However, the Statement of Activities reports these third party contributions as capital grants and contributions.	1,854,878
The issuance of an interfund loan provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the difference in interfund loan balance from the prior year.	69,291
The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt including compensated absences and related items.	102,837
Certain revenues reported on the accrual basis in the Statement of Activities do not provide current financial resources and thus are deferred in the governmental funds until available.	(16,918)
Certain expenses related to right of use assets and related lease liabilities in the Statement of Activities are amortized over the life of the lease. This amount is the net effect of the differences of amortization and lease interest and principal payments.	(2,551)
The net effect of transactions involving net pension asset and liability and deferred outflows and inflows of resources related to pensions.	409,246
Change in net position of governmental activities	<u><u>\$ 5,120,004</u></u>

SMITHFIELD CITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund

For the Year Ended June 30, 2022

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 4,029,192	\$ 5,122,012	\$ 5,433,527	\$ 311,515
Licenses and permits	80,000	94,018	101,932	7,914
Intergovernmental	1,835,100	3,695,759	2,449,282	(1,246,477)
Charges for services	3,480,898	4,718,655	5,979,073	1,260,418
Fines and forfeitures	9,000	21,637	28,383	6,746
Library	5,000	87,193	34,133	(53,060)
Miscellaneous revenues	55,000	106,405	137,811	31,406
Total revenues	<u>9,494,190</u>	<u>13,845,679</u>	<u>14,164,141</u>	<u>318,462</u>
Expenditures:				
General government	505,313	692,409	568,822	123,587
Public safety	3,082,505	4,019,285	3,660,847	358,438
Highways and public works	3,151,863	4,664,027	3,700,959	963,068
Parks and recreation	2,660,886	3,263,849	3,042,889	220,960
Library	231,011	266,071	250,265	15,806
Debt service	204,612	202,022	240,978	(38,956)
Total expenditures	<u>9,836,190</u>	<u>13,107,663</u>	<u>11,464,760</u>	<u>1,642,903</u>
Excess of expenditures over revenues	<u>(342,000)</u>	<u>738,016</u>	<u>2,699,381</u>	<u>1,961,365</u>
Other financing sources (uses):				
Proceeds from sale of assets	-	-	40,000	40,000
Proceeds from loan	-	-	167,826	167,826
Transfers in (out)	<u>28,000</u>	<u>(1,070,800)</u>	<u>(1,070,800)</u>	<u>-</u>
Net change in fund balance	<u>(314,000)</u>	<u>(332,784)</u>	<u>1,836,407</u>	<u>2,169,191</u>
Fund balance, beginning	<u>4,850,587</u>	<u>4,850,587</u>	<u>4,850,587</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,536,587</u>	<u>\$ 4,517,803</u>	<u>\$ 6,686,994</u>	<u>\$ 2,169,191</u>

SMITHFIELD CITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Redevelopment Agency Fund

For the Year Ended June 30, 2022

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
General government	-	-	-	-
Highways and public works	1,000	1,000	25	975
Parks and recreation	-	-	-	-
Total expenditures	1,000	1,000	25	975
Excess of revenues over expenditures	(1,000)	(1,000)	(25)	975
Other financing sources(uses):				
Proceeds from sale of land	-	-	-	-
Transfers in (out)	(28,000)	(28,000)	(28,000)	-
Net change in fund balance	(29,000)	(29,000)	(28,025)	975
Fund balance, beginning	122,962	122,962	122,962	-
Fund balance, ending	\$ 93,962	\$ 93,962	\$ 94,937	\$ 975

SMITHFIELD CITY
Statement of Net Position
Proprietary Funds

As of June 30, 2022

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Assets					
Current assets:					
Cash and cash equivalents	\$ 5,769,483	\$ 4,753,846	\$ 2,393,566	\$ 12,916,895	\$ 12,042,275
Restricted cash and cash equivalents	1,622,057	502,825	337,802	2,462,684	817,484
Accounts receivable, net	246,574	215,433	100,465	562,472	528,922
Due from other funds	359,140	-	-	359,140	428,431
Total current assets	<u>7,997,254</u>	<u>5,472,104</u>	<u>2,831,833</u>	<u>16,301,191</u>	<u>13,817,112</u>
Noncurrent assets:					
Land and water rights	311,098	75,000	242,765	628,863	628,863
Equipment, buildings, and improvements	14,392,735	14,239,351	3,931,135	32,563,221	29,367,417
Less accumulated depreciation	(5,517,646)	(8,147,904)	(1,102,598)	(14,768,148)	(13,938,958)
Net pension asset	124,490	124,490	69,161	318,141	-
Total noncurrent assets	<u>9,310,677</u>	<u>6,290,937</u>	<u>3,140,463</u>	<u>18,742,077</u>	<u>16,057,322</u>
Total assets	17,307,931	11,763,041	5,972,296	35,043,268	29,874,434
Deferred outflow of resources - refunding	9,657	-	-	9,657	12,070
Deferred outflow of resources - pensions	57,936	57,936	32,187	148,059	114,499
Total assets and deferred outflows	<u>\$ 17,375,524</u>	<u>\$ 11,820,977</u>	<u>\$ 6,004,483</u>	<u>\$ 35,200,984</u>	<u>\$ 30,001,003</u>

SMITHFIELD CITY
Statement of Net Position
Proprietary Funds

Continued

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Liabilities					
Current liabilities:					
Accounts payable	\$ 74,371	\$ 239,741	\$ 22,936	\$ 337,048	\$ 1,158,753
Unspent ARPA funds	711,583	-	-	711,583	-
Deposits	240,852	-	-	240,852	214,625
Bonds and notes payable	119,000	-	-	119,000	115,000
Total current liabilities	<u>1,145,806</u>	<u>239,741</u>	<u>22,936</u>	<u>1,408,483</u>	<u>1,488,378</u>
Noncurrent liabilities:					
Net pension liability	-	-	-	-	62,568
Bonds and notes payable	384,000	-	-	384,000	503,000
Total long-term liabilities	<u>384,000</u>	<u>-</u>	<u>-</u>	<u>384,000</u>	<u>565,568</u>
Total liabilities	<u>1,529,806</u>	<u>239,741</u>	<u>22,936</u>	<u>1,792,483</u>	<u>2,053,946</u>
Deferred inflows of resources - pensions	<u>173,120</u>	<u>173,120</u>	<u>96,178</u>	<u>442,418</u>	<u>210,722</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,702,926</u>	<u>\$ 412,861</u>	<u>\$ 119,114</u>	<u>\$ 2,234,901</u>	<u>\$ 2,264,668</u>
Net Position					
Net investment in capital assets	\$ 8,683,187	\$ 6,166,447	\$ 3,071,302	\$ 17,920,936	\$ 15,439,322
Restricted for capital and other activities	910,474	502,825	337,802	1,751,101	817,484
Unrestricted	6,078,937	4,738,844	2,476,265	13,294,046	11,479,529
Total net position	<u>\$ 15,672,598</u>	<u>\$ 11,408,116</u>	<u>\$ 5,885,369</u>	<u>\$ 32,966,083</u>	<u>\$ 27,736,335</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2022

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Operating revenues:					
Charges for services	\$ 1,868,779	\$ 2,309,420	\$ 1,056,651	\$ 5,234,850	\$ 4,891,885
Water dedication payments	294,656	-	-	294,656	335,000
Fees and miscellaneous	15,043	6,160	-	21,203	22,461
Total operating revenues	<u>2,178,478</u>	<u>2,315,580</u>	<u>1,056,651</u>	<u>5,550,709</u>	<u>5,249,346</u>
Operating expenses:					
Salaries and benefits	353,437	346,738	214,460	914,635	989,317
Current expenses	678,791	1,599,490	27,693	2,305,974	2,190,764
Depreciation	373,667	357,989	97,534	829,190	778,217
Total operating expenses	<u>1,405,895</u>	<u>2,304,217</u>	<u>339,687</u>	<u>4,049,799</u>	<u>3,958,298</u>
Operating income (loss)	<u>\$ 772,583</u>	<u>\$ 11,363</u>	<u>\$ 716,964</u>	<u>\$ 1,500,910</u>	<u>\$ 1,291,048</u>

SMITHFIELD CITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Continued

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Non-operating revenue (expense):					
Interest revenue	\$ 26,543	\$ 8,320	\$ 2,297	\$ 37,160	\$ 38,584
Impact fees	601,119	613,463	143,467	1,358,049	1,398,868
Interest expense and fiscal charges	(25,929)	-	-	(25,929)	(29,816)
Total non-operating revenue (expense)	<u>601,733</u>	<u>621,783</u>	<u>145,764</u>	<u>1,369,280</u>	<u>1,407,636</u>
Net income before contributions & transfers	1,374,316	633,146	862,728	2,870,190	2,698,684
Developers contributions	<u>1,115,813</u>	<u>975,691</u>	<u>268,054</u>	<u>2,359,558</u>	<u>818,258</u>
Change in net position	2,490,129	1,608,837	1,130,782	5,229,748	3,516,942
Net position, beginning	<u>13,182,469</u>	<u>9,799,279</u>	<u>4,754,587</u>	<u>27,736,335</u>	<u>24,219,393</u>
Net position, ending	<u>\$ 15,672,598</u>	<u>\$ 11,408,116</u>	<u>\$ 5,885,369</u>	<u>\$ 32,966,083</u>	<u>\$ 27,736,335</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2022

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 2,204,433	\$ 2,317,617	\$ 1,062,209	\$ 5,584,259	\$ 5,368,270
Payments to suppliers	(917,829)	(1,644,068)	(75,232)	(2,637,129)	(1,588,483)
Payments to employees	(353,437)	(346,738)	(214,460)	(914,635)	(989,317)
Net cash provided by operating activities	<u>933,167</u>	<u>326,811</u>	<u>772,517</u>	<u>2,032,495</u>	<u>2,790,470</u>
Cash Flows From Noncapital Financing Activities					
Change in due to/from other funds	<u>69,291</u>	<u>-</u>	<u>-</u>	<u>69,291</u>	<u>68,471</u>
Net cash provided (used) by noncapital financing activities	<u>69,291</u>	<u>-</u>	<u>-</u>	<u>69,291</u>	<u>68,471</u>
Cash Flows From Capital and Related Financing Activities					
Impact fees	601,119	613,463	143,467	1,358,049	1,398,868
Purchases of capital assets	(281,065)	(555,181)	-	(836,246)	(1,430,354)
Principal paid on debt	(115,000)	-	-	(115,000)	(111,000)
Interest paid on capital debt	(25,929)	-	-	(25,929)	(29,816)
Net cash provided (used) in capital and financing activities	<u>\$ 179,125</u>	<u>\$ 58,282</u>	<u>\$ 143,467</u>	<u>\$ 380,874</u>	<u>\$ (172,302)</u>

SMITHFIELD CITY
Statement of Cash Flows
Proprietary Funds

Continued

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Cash Flows From Investing Activities					
Interest and dividends received	\$ 26,543	\$ 8,320	\$ 2,297	37,160	\$ 38,584
Net cash provided by investing activities	26,543	8,320	2,297	37,160	38,584
Net increase (decrease) in cash and cash equivalents	1,208,126	393,413	918,281	2,519,820	2,725,223
Cash and equivalents, beginning	6,183,414	4,863,258	1,813,087	12,859,759	10,134,536
Cash and equivalents, ending	<u>\$ 7,391,540</u>	<u>\$ 5,256,671</u>	<u>\$ 2,731,368</u>	<u>\$ 15,379,579</u>	<u>\$ 12,859,759</u>
Shown in the Statement of Net Position as:					
Cash and cash equivalents	\$ 5,769,483	\$ 4,753,846	\$ 2,393,566	\$ 12,916,895	\$ 12,042,275
Restricted cash and cash equivalents	1,622,057	502,825	337,802	2,462,684	817,484
	<u>\$ 7,391,540</u>	<u>\$ 5,256,671</u>	<u>\$ 2,731,368</u>	<u>\$ 15,379,579</u>	<u>\$ 12,859,759</u>

See accompanying notes to the financial statements and independent auditor's report.

SMITHFIELD CITY
Statement of Cash Flows
Proprietary Funds

Continued

	Water Utility Fund	Sewer Fund	Storm Sewer Fund	2022 Total	2021 Memorandum
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 772,583	\$ 11,363	\$ 716,964	\$ 1,500,910	\$ 1,291,048
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	373,667	357,989	97,534	829,190	778,217
Loss on disposal of assets	-	-	-	-	-
(Increase) decrease in accounts receivable	(25,955)	(2,037)	(5,558)	(33,550)	(118,924)
(Increase) decrease in deferred outflow	(12,586)	(10,228)	(8,333)	(31,147)	(1,081)
(Increase) decrease in pension asset	(124,490)	(124,490)	(69,161)	(318,141)	-
Increase (decrease) in payables	(146,915)	34,965	1,828	(110,122)	844,796
Increase (decrease) in pension liability	(23,463)	(26,070)	(13,035)	(62,568)	(138,749)
Increase (decrease) in deferred inflow	94,099	85,319	52,278	231,696	101,207
Increase (decrease) in deposits	26,227	-	-	26,227	33,956
Total adjustments	160,584	315,448	55,553	531,585	1,499,422
Net cash provided by (used in) operating activities:	\$ 933,167	\$ 326,811	\$ 772,517	\$ 2,032,495	\$ 2,790,470
Supplementary information					
Non-cash items from capital and related financing activities include contributions by developers	\$ 1,115,813	\$ 975,691	\$ 268,054	\$ 2,359,558	\$ 818,258
Non-cash purchase of assets through debt	\$ -	\$ -	\$ -	\$ -	\$ -

SMITHFIELD CITY
Notes to the Financial Statements

For the Year ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Smithfield City, Utah (the “City”), operates as an incorporated governmental entity within the State of Utah. The City operates under a city council form of government with six council members and provides the following services: public safety (police, fire, and ambulance), streets and public improvements, parks and recreation, golf course, library and general administrative services. In addition, the City owns and operates a water system, a sewer system, and a storm sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

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

The City has created the Smithfield Redevelopment Agency (RDA) and this entity is considered a blended component unit of the City. The accounts of this entity have been appropriately blended into the City's financial statements in accordance with GAAP.

The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent upon the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City participates in the Cache Valley Transit District (CVTD) and the Cache Metropolitan Planning Organization (CMPO), which are separate legal entities not controlled or dependent upon the City. However, the City has imposed a sales tax of three-tenths of a percent to fund the CVTD. The sales tax is collected directly by the CVTD; however, as the taxing entity, the City reports this tax as revenue and an expenditure on these financial statements.

Government-wide and fund financial statements

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Government-wide and fund financial statements – *Continued*

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 with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, and major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after yearend. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Measurement Focus, Basis of Accounting, and Presentation – *Continued*

The government reports the following major governmental funds:

- *General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Redevelopment Agency Fund (RDA)* – The RDA fund accounts for the operations of this blended component unit. The RDA builds infrastructure within City limits, promotes economic development and is entitled to collect incremental property taxes on the property within the boundaries of the RDA.
- *Capital Projects Fund* – The Capital Projects Fund is used to accumulate resources for future capital projects or large asset purchases.

The government reports the following major proprietary funds:

- *Water Utility Fund* – The Water Utility Fund accounts for the activities of the City's water operations.
- *Sewer Fund* – The Sewer Fund accounts for the activities of the City's sewer operations.
- *Storm Sewer Fund* – The Storm Sewer Fund accounts for the activities of the City's storm water drainage systems.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Cash & Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Whenever possible, the City's cash accounts are pooled into common pooled accounts in order to maximize investment opportunities. Negative balances incurred in pooled cash at year-end are treated as interfund payables of the deficit account and interfund receivables in the other funds with positive balances.

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.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds". Receivables consist of all revenues earned at year-end but received after year-end. Allowances for uncollectible accounts are based upon historical trends. The City has an allowance for doubtful accounts of \$119,721 for ambulance services. The City does not have any allowance accounts for any other accounts as they feel all amounts are materially collectible. Receivable balances for the governmental activities include sales taxes, franchise taxes, property taxes, garbage collection fees, and other fees. Business-type activities report receivables for utility service fees and facility charges.

Inventories

All inventories are valued at the lower of cost or market (first-in/first-out method). Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services, unused impact fees, escrow account, and state restricted funds.

Restricted resources rather than unrestricted resources are used first to fund related appropriations.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	7-40
Infrastructure	25
Machinery and equipment	3-20

Compensated Absences

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: 1) personal property tax which is assessed on business assets other than real estate, and 2) tax on real estate and improvements. Business, personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1 and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by unearned revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 30 each year. The County Treasurer, acting as tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Issuance costs are expensed in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Equity Classifications

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Equity Classifications – *Continued*

Restricted net position – This classification consists of net position constrained to a particular use by 1) external groups such as creditors, grantors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – This classification consists of all other net position amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified inventory as non-spendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of resources either (a) externally by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. Such intent may be expressed by the City Council, City Manager or City Recorder. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Fund Balance Classifications – *Continued*

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

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

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pensions includes 1) net difference between projected and actual earnings on pension plan investments, 2) changes in proportion and differences between contributions and proportionate share of contributions, and 3) City contributions subsequent to the measurement date of December 31, 2021. The deferred charge on refunding is reported in both the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and therefore will not be recognized as an inflow of resources (revenue) until then. The City has three types of items which qualify for reporting in this category. The first item, revenues in the funds which are unavailable, is reported only in the governmental funds balance sheet. The second item, revenues which are intended to finance the operations of a future period, is reported in both the governmental funds balance sheet and the government-wide Statement of Net Position. The third item, pension amounts, is reported in both the government-wide Statement of Net Position and each proprietary fund Statement of Net Position and results from actuarial calculations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Pensions

For purposes of measuring the net pension liability/(asset), 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) including 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.

Revenues and expenses

Program revenues – Program revenues include charges to customers, grants and contributions for operational or capital requirements. Grants are usually reimbursable grants and are thus recognized as revenue at the time the associated expenditures are made.

General revenues – Property taxes, franchise taxes, motor vehicle taxes, other taxes, and interest income associated with the current fiscal period that are susceptible to accrual, and received in the availability period, are recognized as revenues of the fiscal period they are intended to finance. All taxes and internally dedicated resources are reported as general revenues.

Proprietary funds – Proprietary funds distinguish between operating revenues and non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Subsidies and grants to proprietary funds, which finance either capital projects or current operations, are reported as nonoperating revenue or capital contributions. Other revenues that do not result from providing services are reported as non-operating revenues.

Expenses – For proprietary fund financial statements, operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Estimates

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

2. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City Administrator, authorized under state statute to be appointed budget officer, submits a proposed operation budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection 10 days prior to the public hearing.
- C. On or before June 30, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing, as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7, the “Act”) in handling its depository and investing transactions. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$3,524,125 of the local government’s bank balances of \$4,321,652 was uninsured and uncollateralized.

Investments

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

The City follows the requirements of the Utah Money Management Act 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.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

Investments – *Continued*

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. 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 a participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

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

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

Investments – *Continued*

At June 30, 2022, the City had the following recurring fair value measurements.

Investments by fair value level	6/30/2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Utah Public Treasurers' Investment Fund	\$ 20,062,074	\$ -	\$ 20,062,074	\$ -
Total investments measured at fair value	<u>\$ 20,062,074</u>	<u>\$ -</u>	<u>\$ 20,062,074</u>	<u>\$ -</u>

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:

- Utah Public Treasurers' Investment Fund: application of the June 30, 2022 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund

Interest Rate Risk

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

Investment Maturity

As of June 30, 2022, the City’s investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Utah Public Treasurers' Investment Fund	\$ 20,062,074	\$ 20,062,074	\$ -	\$ -
Total investments measured at fair value	\$ 20,062,074	\$ 20,062,074	\$ -	\$ -

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.

For the year ended June 30, 2022, the City had investments of \$20,062,074 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

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 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 percent depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

4. RECEIVABLES

Receivables as of year-end for the government's individual major fund and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	<u>Accounts</u>	<u>Allowance</u>	<u>Property tax</u>	<u>Other taxes</u>	<u>B&C road</u>	<u>Total</u>
General	\$ 1,849,567	\$ (119,721)	\$ 1,533,996	\$ 598,756	\$ 140,541	\$ 4,003,139
RDA	-	-	-	-	-	-
Water	246,574	-	-	-	-	246,574
Sewer	215,433	-	-	-	-	215,433
Storm sewer	100,465	-	-	-	-	100,465
	<u>\$ 2,412,039</u>	<u>\$ (119,721)</u>	<u>\$ 1,533,996</u>	<u>\$ 598,756</u>	<u>\$ 140,541</u>	<u>\$ 4,565,611</u>

5. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2022 was as follows:

Due to/from other funds:

<u>Purpose</u>	<u>Amount</u>	<u>Due to</u>	<u>Due from</u>
Equipment purchase - 1.2% interest	\$ 171,672	Water Fund	General Fund
Equipment purchase - 1.2% interest	\$ 187,468	Water Fund	General Fund

Interfund Transfers:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
Administration	\$ 28,000	General	RDA
Capital projects	\$ 1,098,800	Capital Projects	General

SMITHFIELD CITY
Notes to the Financial Statements

Continued

6. REFUNDABLE DEPOSITS

Smithfield City requires a security deposit for utility services. The deposit reported as a liability in the Water Fund covers garbage pickup, water charges, and sewer services. The City held security deposits in the Water Fund of \$240,852 at June 30, 2022.

The City also requires that developers provide a guarantee deposit to ensure that improvements are completed. The deposit is refunded after all improvements have been made. The City held contractor deposits and escrow accounts in the General Fund of \$1,265,469 as of June 30, 2022.

7. CAPITAL ASSETS

Primary Governmental Activity	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,491,642	\$ -	\$ -	\$ 7,491,642
Construction in progress	82,440	-	82,440	-
Total capital assets not being depreciated	<u>7,574,082</u>	<u>-</u>	<u>82,440</u>	<u>7,491,642</u>
Capital assets being depreciated:				
Buildings & improvements	15,395,475	220,079	-	15,615,554
Vehicles and equipment	4,464,430	1,118,469	49,863	5,533,036
Infrastructure	20,125,448	2,930,511	-	23,055,959
Total capital assets being depreciated	39,985,353	4,269,059	49,863	44,204,549
Less accumulated depreciation	<u>(18,998,865)</u>	<u>(1,829,190)</u>	<u>(29,090)</u>	<u>(20,798,965)</u>
Total capital assets being depreciated, net	<u>20,986,488</u>	<u>2,439,869</u>	<u>20,773</u>	<u>23,405,584</u>
Governmental activities capital assets, net	<u>\$ 28,560,570</u>	<u>\$ 2,439,869</u>	<u>\$ 103,213</u>	<u>\$ 30,897,226</u>

SMITHFIELD CITY
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS - *Continued*

Business-type activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 319,268	\$ -	\$ -	\$ 319,268
Construction in progress	-	185,914	-	185,914
Water rights and stock	309,595	-	-	309,595
Total capital assets not being depreciated	<u>628,863</u>	<u>185,914</u>	<u>-</u>	<u>814,777</u>
Capital assets being depreciated:				
Building & improvements	1,365,531	-	-	1,365,531
System improvements	26,603,157	2,473,358	-	29,076,515
Vehicles and equipment	1,398,729	536,532	-	1,935,261
Total capital assets being depreciated	<u>29,367,417</u>	<u>3,009,890</u>	<u>-</u>	<u>32,377,307</u>
Less accumulated depreciation	<u>(13,938,958)</u>	<u>(829,190)</u>	<u>-</u>	<u>(14,768,148)</u>
Total capital assets being depreciated, net	<u>15,428,459</u>	<u>2,180,700</u>	<u>-</u>	<u>17,609,159</u>
Business-type activities capital assets, net	<u>\$ 16,057,322</u>	<u>\$ 2,366,614</u>	<u>\$ -</u>	<u>\$ 18,423,936</u>

Depreciation has been charged to the departments as follows:

General government	\$ 80,124
Public safety	312,375
Highway and public works	895,983
Parks and recreation	489,759
Library	<u>50,949</u>
Total depreciation	<u>\$ 1,829,190</u>

SMITHFIELD CITY
Notes to the Financial Statements

Continued

8. LONG-TERM DEBT

Long-term debt at June 30, 2022, was comprised of the following:

Governmental activities:

Description	Amount
\$1,440,000 Sales Tax Revenue Bonds, Series 2009. Payable to the State of Utah Permanent Community Impact Fund Board for the construction of a new City administration building. Due in annual installments ranging from \$37,000 to \$84,000 through July 2035, plus interest of 3.5 percent.	\$ 955,000
\$965,000 Sales Tax Revenue Bonds, Series 2014. Payable to the State of Utah Permanent Community Impact Fund Board for the expansion of the City library building. Due in annual installments ranging from \$32,000 to \$45,000 through October 2039, plus interest of 1.5 percent.	729,000
Total bonds	<u>\$ 1,684,000</u>

Payable to a financial organization for vehicles for \$136,700. Due in five annual installments of \$30,629 through October 2022, plus interest of 3.75 percent. As of June 30, 2022 the following values were included on the government-wide financial statements: assets \$136,700; accumulated depreciation \$129,865; depreciation expense \$27,340.

\$ 29,503

Payable to a financial organization for vehicles for \$65,000. Due in five annual installments of \$15,065 through September 2022, plus interest of 7.60 percent. As of June 30, 2022 the following values were included on the government-wide financial statements: assets \$65,000; accumulated depreciation \$48,750; depreciation expense \$13,000.

13,966

Total notes payable \$ 43,469

Business-type activities:

Description	Amount
\$1,584,000 Water Revenue Refunding Bonds, Series 2011. Issued and held by Zion's First National Bank for the construction of a new water tower. Due in annual installments ranging from \$84,000 to \$132,000 plus interest of 3.55 percent. Matures June 2026.	<u>\$ 503,000</u>

SMITHFIELD CITY
Notes to the Financial Statements

Continued

8. LONG-TERM DEBT – *Continued*

Fiscal Year	Governmental bonds		Governmental leases		Business-Type bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 90,000	\$ 32,661	\$ 43,469	\$ 2,225	\$ 119,000	\$ 17,856
2024	92,000	30,893	-	-	124,000	13,632
2025	95,000	29,079	-	-	128,000	9,230
2026	97,000	27,204	-	-	132,000	4,686
2027	100,000	25,284	-	-	-	-
2028-2032	542,000	95,601	-	-	-	-
2033-2037	534,000	38,305	-	-	-	-
2038-2040	134,000	4,005	-	-	-	-
Total	\$ 1,684,000	\$ 283,032	\$ 43,469	\$ 2,225	\$ 503,000	\$ 45,404

The City has pledged all sales tax revenues to secure the Series 2009 and 2014 revenue bonds. As of June 30, 2022, remaining future principal and interest payments on these bonds totaled approximately \$1,100,000 and \$840,000, respectively. Scheduled payments on these bonds end in July 2035 and October 2039, respectively. The Series 2009 bonds were issued to construct a new City administration building. Principal and interest payments on these bonds currently amount to approximately \$75,000 or three percent of sales tax revenues. The Series 2014 bonds were issued to construct an addition to the City library. Principal and interest payments on these bonds currently amount to approximately \$46,000 or two percent of sales tax revenues.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

8. LONG-TERM DEBT – *Continued*

Long-term liability activity is as follows:

Governmental Activities	July 1, 2021	Additions	Reductions	June 30, 2022	Due in One Year
Bonds payable	\$ 1,771,000	\$ -	\$ 87,000	\$ 1,684,000	\$ 90,000
Notes payable	84,835	-	41,366	43,469	43,469
Compensated absences	173,740	25,529	-	199,269	199,269
Total	<u>\$ 2,029,575</u>	<u>\$ 25,529</u>	<u>\$ 128,366</u>	<u>\$ 1,926,738</u>	<u>\$ 332,738</u>
Business-Type Activities					
Bonds payable	\$ 618,000	\$ -	\$ 115,000	\$ 503,000	\$ 119,000
Total	<u>\$ 618,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 503,000</u>	<u>\$ 119,000</u>

The City has pledged all water services revenues to secure the water revenue bond. As of June 30, 2022, remaining future principal and interest payments on the bond totaled approximately \$548,000. Principal and interest payments on the bond currently amount to approximately \$137,000 or six percent of water services revenues.

9. FINANCING LEASES AND RIGHT OF USE ASSETS

The City has various financing leases for vehicles as outlined below:

Governmental activities:

Description	Amount
\$167,826 financing leases for two Ford F450 Ambulances. Due in four remaining annual installments of \$46,234 through June 2025, including interest of 4 percent. As of June 30, 2022 the following values were included on the government-wide financial statements: assets \$167,826; accumulated amortization \$41,956; amortization expense \$41,956.	<u>\$ 128,421</u>
Total financing leases	<u>\$ 128,421</u>

No impairments on the leases were noted as of June 30, 2022.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

9. FINANCING LEASES AND RIGHT OF USE ASSETS - *Continued*

The future required lease payments are as follows:

	Principal	Interest	Lease pymt
2023	\$ 41,002	\$ 5,232	\$ 46,234
2024	42,673	3,561	46,234
2025	44,746	1,488	46,234
2026	-	-	-
Thereafter	-	-	-
	\$ 128,421	\$ 10,281	\$ 138,702

10. COMMITMENTS AND CONTINGENCIES

Cost Participation Agreement

The City entered into a cost participation agreement with Cache Highline Water Association (CHWA) during fiscal year 2013 whereby the City agreed to make a one-time payment of \$58,050 in fiscal year 2013 to CHWA and 22 annual payments of \$14,952 through fiscal year 2034. These payments are to fund the Cache Community Emergency Watershed Project which relates to improvements to be made to the L&N canal and the Logan, Hyde Park and Smithfield canals.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS

Plan description – eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

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

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 Utah State Retirement 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 to Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website: www.urs.org/general/publications.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

Summary of Benefits by System

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

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending on employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 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%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year to June 30, 2020; 2% per year July 1, 2020 to present	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.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2022 were as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
111- Local Governmental Division Tier 2	N/A	16.07%	0.62%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety	2.27%	25.83%	N/A
Noncontributory			
43 - Other Division A with 2.5% COLA	N/A	34.04%	N/A
Firefighters Retirement System			
31- Other Division A	15.05%	4.61%	N/A
132- Tier 2 DB Hybrid Firefighters	2.27%	14.08%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222- Public Safety	N/A	11.83%	14.00%
232- Firefighters	N/A	0.08%	14.00%

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

For fiscal year ended June 30, 2022, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 221,214	N/A
Public Safety System	141,806	-
Firefighters System	9,995	-
Tier 2 Public Employees System	80,372	-
Tier 2 Public Safety and Firefighter System	88,291	10,826
Tier 2 DC Public Safety and Firefighter System	43	N/A
Total Contributions	<u>\$ 541,721</u>	<u>\$ 10,826</u>

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

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

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

At June 30, 2022, we reported a net pension asset of \$1,383,222 and a net pension liability of \$0.

	(Measurement Date): December 31, 2021				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2020	Change (Decrease)
Noncontributory System	\$ 778,755	\$ -	0.1359771%	0.1313894%	0.0045877%
Public Safety System	206,011	-	0.2536631%	0.2048798%	0.0487833%
Firefighters System	378,471	-	0.6489370%	0.6194551%	0.0294819%
Tier 2 Public Employees System	10,304	-	0.0243455%	0.0242348%	0.0001107%
Tier 2 Public Safety and Firefighter	9,681	-	0.1915413%	0.2198195%	-0.0282782%
Total net pension asset/liability	<u>\$ 1,383,222</u>	<u>\$ -</u>			

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021, 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.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

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

For the year ended June 30, 2022, we recognized pension expense of (\$50,144). At June 30, 2022, 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	\$ 138,990	\$ 6,303
Changes in assumptions	166,884	8,990
Net difference between projected and actual earnings on pension plan investments	-	1,894,028
Changes in proportion and differences between contributions and proportionate share of contributions	78,891	14,231
Contributions subsequent to the measurement date	258,971	-
Total	\$ 643,736	\$ 1,923,552

\$258,971 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021. 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
2022	\$ (263,697)
2023	(540,180)
2024	(450,230)
2025	(305,701)
2026	3,828
Thereafter	17,197

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

Actuarial assumptions – The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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

Asset class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	37%	6.58%	2.43%
Debt securities	20%	-0.28%	-0.06%
Real assets	15%	5.77%	0.87%
Private equity	12%	9.85%	1.18%
Absolute return	16%	2.91%	0.47%
Cash and cash equivalents	0%	-1.01%	0.00%
Totals	100%		4.89%
Inflation			2.50%
Expected arithmetic nominal return			7.39%

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

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

Discount rate – The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85% from the prior measurement date.

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 would be if it were calculated using a discount rate that is one percentage-point lower (5.85 percent) or one-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	\$ 418,760	\$ (778,755)	\$ (1,777,849)
Public Safety System	508,090	(206,011)	(785,910)
Firefighters System	(92,679)	(378,471)	(610,114)
Tier 2 Public Employees System	61,393	(10,304)	(65,352)
Tier 2 Public Safety and Firefighter System	77,666	(9,681)	(79,022)
Total	<u>\$ 973,230</u>	<u>\$ (1,383,222)</u>	<u>\$ (3,318,247)</u>

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 for 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.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

11. PENSION PLANS – *Continued*

Defined Contribution Savings Plans - continued

The City participates in the following defined contribution savings plans with Utah Retirement Systems:

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

Employee and employer contributions to the Utah Retirement defined contribution savings plans for fiscal year ended June 30, were as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
401(k) Plan			
Employer Contributions	\$ 13,456	\$ 13,335	\$ 16,521
Employee Contributions	40,120	35,788	37,432
457 Plan			
Employer Contributions	2,195	2,137	2,078
Employee Contributions	103	726	2,325
Roth IRA Plan			
Employee Contributions	13,340	6,690	4,590

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

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies, which the City pays in the event of any loss. The City has also purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SMITHFIELD CITY
Notes to the Financial Statements

Continued

13. RESTRICTED FUND BALANCES

The City had the following restricted equity balances as of June 30, 2022:

	<u>General</u>	<u>RDA</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>
Capital projects	\$ 346,885	\$ 94,937	\$ 910,474	\$ 502,825	\$ 337,802
B&C roads/local transit	1,621,443	-	-	-	-
Liquor allotment	38,597	-	-	-	-
Debt sinking and reserves	222,906	-	-	-	-
Total	<u>\$ 2,229,831</u>	<u>\$ 94,937</u>	<u>\$ 910,474</u>	<u>\$ 502,825</u>	<u>\$ 337,802</u>

14. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 30, 2022, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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SMITHFIELD CITY
Schedule of the Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2022

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered-employee payroll
Noncontributory System	2015	0.1322674%	\$ 574,336	\$ 1,112,166	51.64%	90.20%
	2016	0.1354559%	766,475	1,119,960	68.44%	87.80%
	2017	0.1264798%	812,155	1,051,707	77.22%	87.30%
	2018	0.1242967%	544,581	1,035,057	52.61%	91.90%
	2019	0.1227727%	904,064	1,074,738	84.12%	87.00%
	2020	0.1304498%	491,647	1,173,669	41.89%	93.70%
	2021	0.1313894%	67,395	1,174,038	5.74%	99.20%
	2022	0.1359771%	(778,755)	1,231,100	-63.26%	108.70%
Public Safety System	2015	0.2106020%	\$ 264,850	\$ 302,370	87.59%	90.50%
	2016	0.1599960%	286,593	221,649	129.30%	87.10%
	2017	0.1561583%	316,888	204,308	155.10%	86.50%
	2018	0.1670221%	262,001	218,729	119.78%	90.20%
	2019	0.1841455%	473,730	245,782	192.74%	84.70%
	2020	0.1988368%	319,256	255,310	125.05%	90.90%
	2021	0.2048798%	170,100	318,974	53.33%	95.50%
	2022	0.2536631%	(206,011)	420,864	-48.95%	104.20%
Firefighters Retirement System	2015	0.7864673%	\$ (44,879)	\$ 206,117	-21.77%	103.50%
	2016	0.6850098%	(12,407)	184,312	-6.73%	101.00%
	2017	0.4274197%	(3,370)	119,999	-2.81%	100.40%
	2018	0.4132930%	(25,812)	120,900	-21.35%	103.00%
	2019	0.4313059%	56,004	133,212	42.04%	94.30%
	2020	0.5458338%	(67,694)	174,759	-38.74%	105.00%
	2021	0.6194551%	(173,212)	202,087	-85.71%	110.50%
	2022	0.6489370%	(378,471)	216,354	-174.93%	120.10%

SMITHFIELD CITY
Schedule of the Proportionate Share of the Net Pension Liability

Continued

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered-employee payroll
Tier 2 Public Employees System*	2015	0.3421020%	\$ (1,037)	\$ 167,919	-0.62%	103.50%
	2016	0.0394788%	(86)	255,126	-0.03%	100.20%
	2017	0.0399722%	4,459	327,804	1.36%	-1.05%
	2018	0.0338572%	2,985	331,413	0.90%	97.40%
	2019	0.0223850%	9,587	262,344	3.65%	90.80%
	2020	0.0219889%	4,945	305,480	1.62%	96.50%
	2021	0.0242348%	3,486	387,485	0.90%	98.30%
	2022	0.0243455%	(10,304)	451,316	-2.28%	103.80%
Tier 2 Public Safety and Firefighter System*	2016	0.0466577%	\$ (682)	\$ 27,800	-2.45%	110.70%
	2017	0.1772772%	(1,539)	146,472	-1.05%	103.60%
	2018	0.2144840%	(2,482)	226,271	-1.10%	103.00%
	2019	0.2396497%	6,005	321,280	1.87%	95.60%
	2020	0.2442440%	22,975	402,556	5.71%	89.60%
	2021	0.2198195%	19,717	441,102	4.47%	93.10%
	2022	0.1915413%	(9,681)	458,046	-2.11%	102.80%

**In accordance with paragraph 81.a of GASB 68, employers must disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI. This schedule will be built prospectively.

SMITHFIELD CITY
Schedule of Contributions

For the Year Ended June 30, 2022

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 196,444	\$ 196,444	\$ -	\$ 1,157,105	16.98%
	2015	204,253	204,253	-	1,107,878	18.44%
	2016	201,970	201,970	-	1,096,188	18.42%
	2017	190,111	190,111	-	1,029,294	18.47%
	2018	192,797	192,797	-	1,044,109	18.47%
	2019	206,270	206,270	-	1,128,240	18.28%
	2020	216,697	216,697	-	1,179,665	18.37%
	2021	217,197	217,197	-	1,182,633	18.37%
	2022	221,214	221,214	-	1,212,936	18.24%
Public Safety System	2014	\$ 87,947	\$ 87,947	\$ -	\$ 273,637	32.14%
	2015	93,459	93,459	-	274,557	34.04%
	2016	69,653	69,653	-	204,621	34.04%
	2017	71,061	71,061	-	208,719	34.05%
	2018	76,607	76,607	-	225,049	34.04%
	2019	87,519	87,519	-	257,106	34.04%
	2020	88,465	88,465	-	277,853	31.84%
	2021	107,423	107,423	-	369,418	29.08%
	2022	141,806	141,806	-	469,625	30.20%

SMITHFIELD CITY
Schedule of Contributions

Continued

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Firefighters System	2014	\$ 5,938	\$ 5,938	\$ -	\$ 200,600	2.96%
	2015	7,613	7,613	-	199,279	3.82%
	2016	6,083	6,083	-	152,448	3.99%
	2017	4,544	4,544	-	116,800	3.89%
	2018	4,912	4,912	-	125,000	3.93%
	2019	7,009	7,009	-	152,044	4.61%
	2020	8,909	8,909	-	193,240	4.61%
	2021	9,395	9,395	-	203,796	4.61%
	2022	9,995	9,995	-	216,815	4.61%
Tier 2 Public Employees System*	2014	\$ 18,853	\$ 18,853	\$ -	\$ 134,762	13.99%
	2015	29,192	29,192	-	197,297	14.80%
	2016	47,751	47,751	-	320,262	14.91%
	2017	47,592	47,592	-	319,194	14.91%
	2018	48,144	48,144	-	318,624	15.11%
	2019	39,677	39,677	-	255,321	15.54%
	2020	56,014	56,014	-	357,690	15.66%
	2021	61,971	61,971	-	392,224	15.80%
	2022	80,372	80,372	-	500,134	16.07%

**SMITHFIELD CITY
Schedule of Contributions**

Continued

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Firefighters System	2014	\$ 5,938	\$ 5,938	\$ -	\$ 200,600	2.96%
	2015	7,613	7,613	-	199,279	3.82%
	2016	6,083	6,083	-	152,448	3.99%
	2017	4,544	4,544	-	116,800	3.89%
	2018	4,912	4,912	-	125,000	3.93%
	2019	7,009	7,009	-	152,044	4.61%
	2020	8,909	8,909	-	193,240	4.61%
	2021	9,395	9,395	-	203,796	4.61%
	2022	9,995	9,995	-	216,815	4.61%
Tier 2 Public Employees System*	2014	\$ 18,853	\$ 18,853	\$ -	\$ 134,762	13.99%
	2015	29,192	29,192	-	197,297	14.80%
	2016	47,751	47,751	-	320,262	14.91%
	2017	47,592	47,592	-	319,194	14.91%
	2018	48,144	48,144	-	318,624	15.11%
	2019	39,677	39,677	-	255,321	15.54%
	2020	56,014	56,014	-	357,690	15.66%
	2021	61,971	61,971	-	392,224	15.80%
	2022	80,372	80,372	-	500,134	16.07%

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

**In accordance with paragraph 81.a of GASB 68, employers need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI. This schedule will be built prospectively.

SMITHFIELD CITY
Notes to the Required Supplementary Information

For the Year Ended June 30, 2022

1. Changes in Assumptions

The investment return assumption was decreased by .10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

OTHER REPORTS

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**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**

Honorable Mayor and City Council
Smithfield City
Smithfield, 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, and each major fund of Smithfield City, Utah (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2022.

Report on 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) as a basis for designing 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Yours truly,

A handwritten signature in black ink that reads "Allred Jackson". The signature is written in a cursive style with a large, sweeping initial "A".

Allred Jackson
North Logan, UT
September 30, 2022



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

To the Honorable Mayor and City Council
Smithfield City
Smithfield, Utah

Report on Compliance

We have audited Smithfield City, Utah (the “City”)’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2022.

State compliance requirements were tested for the year ended June 30, 2022 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Other Related Restricted Revenue
- Fraud Risk Assessment
- Governmental Fees
- Impact Fees
- Utah Retirement Systems
- Public Treasurer’s Bond

Management’s Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor’s Responsibility

Our responsibility is to express an opinion on the City’s compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the City’s compliance with those requirements.

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, 2022.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Yours truly,

A handwritten signature in black ink that reads "Allred Jackson". The signature is written in a cursive style with a large initial 'A'.

Allred Jackson

North Logan, UT
September 30, 2022

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SCHEDULES OF FINDINGS AND RECOMMENDATIONS

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SMITHFIELD CITY
Schedule of Findings and Recommendations – Current Year

For the Year Ended June 30, 2022

No current year findings

SMITHFIELD CITY
Schedule of Findings and Recommendations – Prior Year

For the Year Ended June 30, 2022

No prior year findings