HIGHLAND CITY COUNCIL MINUTES

Tuesday, February 3, 2026

Approved February 17, 2026

Highland City Council Chambers, 5400 West Civic Center Drive, Highland Utah 84003

6:00 PM REGULAR SESSION

Call to Order: Mayor Brittney P. Bills
Invocation: Council Member Scott L. Smith
Pledge of Allegiance: Council Member Ron Campbell

The meeting was called to order by Mayor Brittney P. Bills as a regular session at 6:05 pm. The meeting agenda was posted on the Utah State Public Meeting Website at least 24 hours prior to the meeting. The prayer was offered by Council Member Scott L. Smith and those in attendance were led in the Pledge of Allegiance by Council Member Ron Campbell.

PRESIDING: Mayor Brittney P. Bills

COUNCIL MEMBERS:

Ron Campbell	Present
Doug Cortney	Present
Liz Rice	Present
Kim Rodela	Present
Scott L. Smith	Present

CITY STAFF PRESENT: City Administrator Erin Wells, Assistant City Administrator/Community Development Director Jay Baughman, City Attorney/Planning & Zoning Administrator Rob Patterson, City Recorder Stephannie Cottle, Finance Director David Mortensen, City Engineer/Public Works Director Chris Trusty, Police Chief Brian Gwilliam, Fire Chief Brian Patten

OTHERS PRESENT: Jon Hart, Adam Clark, Alan Lyon, Lonie Lyon, Alexandra Gruenewald, Blakely Cragun, Pam Redman, Stephanie Dimond, Tayler Dimond, Robert Donigan, Jake Weber, Steve Rowley, Steve Sears, Justin Olsen, Bryce Wisan, Aaron Sanborn, Carl Hollan, Nicholas Hudson

1. UNSCHEDULED PUBLIC APPEARANCES

Please limit comments to three minutes per person. Please state your name.

Jake Weber, Venue Development Director for Utah High School Cycling League, expressed support for the Highland Bike Park. He represented over 7,500 student athletes and 4,500 coaches, many of whom live in Highland, and advocated for infrastructure that allows kids to safely ride bikes.

Nicholas Hudson, Head Coach of the Lone Peak Mountain Bike team, shared how mountain biking has positively impacted his family and emphasized that 42% of the team's 386 participants are Highland residents.

He explained that the local bike park would help riders develop necessary skills without having to travel to more distant facilities in Draper or Eagle Mountain.

Alexandra Gruenewald voiced concerns about traffic safety on Canal Boulevard, particularly in the westernmost residential section. She noted that despite previous discussions, this area still lacks adequate traffic calming measures compared to other sections of the road. She requested pedestrian safety improvements at the four-way intersections at 6180 West and 6630 West, as well as additional traffic calming measures.

Alan Lyon discussed the high cost of senior housing in Highland, specifically citing Highland Glen where his father-in-law resides. He reported a recent 33% price increase and noted that the facility is owned by MBK Senior Living, which is owned by Mitsui and Company in Japan. He asked the Council to consider policies to control costs of senior housing and cautioned against trading zoning concessions for what remains unaffordable housing.

Pam Redman echoed concerns about West Canal Boulevard safety, emphasizing the dangers to children who cross the road and the need for traffic circles at the intersections previously mentioned.

Adam Clark from Lake Mountain Trails Association and Flyer Cycling Club, discussed their work developing bike trails in Eagle Mountain. He emphasized how cities define their brand through recreational opportunities and encouraged Highland to continue investing in the bike park.

Bryce Wisan, Assistant Head Coach of the Lone Peak High School mountain bike team, supported expanding the Highland bike park, noting how mountain biking helps youth develop by pushing them to do challenging things outdoors.

Council Member Campbell acknowledged the Bike Club for the significant amount of work they have done on the bike park.

2. PRESENTATIONS

a. FY25 Audit Report

Steve Rowley from K&C CPAs will present the FY2025 Audit Report for Highland City.

Steve Rowley from K&C CPAs presented the FY2025 Audit Report. He delivered an unmodified opinion on the financial statements, which is the cleanest opinion possible. The report included the following key points:

- No findings or deficiencies in internal controls were identified
- No instances of noncompliance with federal funds were found
- No findings in state compliance areas were identified
- The City received approximately $1.7 million in federal funds

Mr. Rowley stated that this was the first time in at least four years that the City had received an audit with no findings. Finance Director David Mortensen was commended for his diligent work, along with City staff for their cooperation during the audit process. Mr. Rowley appreciated all the hard work and support from staff to get through the audit, highlighting that some compliance areas have nothing to do with money or finance, like the uploading of minutes and council members receiving the required training. The audit involved planning and performing in accordance with generally accepted auditing standards and government auditing standards, which required extensive test work, sampling, risk assessment, and confirmations to determine that financial statement numbers matched reality.

Council Member Smith expressed curiosity about the frequency of the State Auditor identifying issues that City auditors might miss. Mr. Rowley explained that the state auditors occasionally conduct more in-depth investigations based on specific concerns.

Council Member Campbell asked about the level of adherence to federal and state guidelines in the audit process, and Mr. Rowley confirmed that the audit was conducted meticulously in adherence to all relevant standards.

Council Member Rice asked Mr. Rowley for his opinion on the City's greatest financial risk. Mr. Rowley responded that the auditor does not look at the operational effectiveness of a City, so they do not give an opinion on whether the City is operating well in a profitability sense, which is outside their focus. He advised Council Member Rice to review the financial statements to see where budget funds were appropriated, which would generally highlight the City's focus.

Council Member Cortney inquired about any areas where a review of the City's internal controls led to more thorough testing than expected. Mr. Rowley responded that usually revenue recognition and accounts payable areas require in-depth testing, but not because of the controls themselves. These areas typically present more transactions and are prone to errors in various entities, not only in Highland City. However, Highland City's processes and accounting system are considered robust.

City Council Members concluded they would like additional time to study the audit report, but thanked Mr. Mortensen and Mr. Rowley for their work on the annual audit.

b. Highland Glen Bike Park Open House Report and Proposed Next Steps
Rob Donigan and Steve Searle will report on the open house recently held regarding potential future phasing of the Highland Glen Bike Park.

Steve Sears from the Lone Peak Trails Association presented on the Highland Glen Bike Park development and future plans. Key points included:

- The transformation of the bike park from its initial state to its current condition with dirt jumps and a pump track
- Funding details: $150,000 in cash donations, $130,000 in in-kind donations, and about 1,000 volunteer hours valued at $50,000
- Short-term requests: City support for a $60,000 annual maintenance budget, additional water access points, and grant application support
- Long-term vision: expanding the bike park with features for all skill levels, adding a permanent restroom, and expanding parking
- A conceptual plan developed with Blue Line and Core Athlete showing potential future features
- Construction estimates ranging from $2-10 million depending on scope

Council members asked questions about neighborhood impacts, parking provisions, long-term sustainability, and community engagement. Council Member Smith raised concerns about the potential impact on the nearby upscale neighborhood, Hidden Oaks, and suggested that the bike park organizers reach out to the HOA President and residents to discuss the plans.

Council Member Ron Campbell noted past concerns with storm drainage issues affecting the park's usability and emphasized the need to address them in future plans.

Council Member Rice inquired about specific parking plans, noting the open-house-mentioned expansion options, and suggested exploring charging for park usage to fund maintenance.

Council Member Kim Rodela expressed appreciation for the thorough planning approach, highlighting the detailed proposals for funding, community involvement, and addressing City operational concerns.

Mayor Bills closed the discussion by requesting clarification on several matters that the Council needed information on from staff; she inquired about any City regulations on parking related to the bike park, as existing regulations are primarily for commercial spaces; she asked if there has been any consideration or need to designate the bike park as a separate park from Highland Glen Park due to its unique use and potential inclusion in future parks maintenance budgeting; and she requested for a summary of any benefits or possible changes in liability by charging users for the bike park.

3. CONSENT ITEMS

Items on the consent agenda are of a routine nature. They are intended to be acted upon in one motion. Items on the consent agenda may be pulled for separate consideration.

a. **Approval of Meeting Minutes** *General City Management*
Stephannie Cottle, City Recorder
January 20, 2026

b. **Central Utah 911 Alternate Board Member Appointment** *General City Management*
Brittney Bills, Mayor
The City Council will consider Mayor Brittney P. Bills' appointment of Liz Rice as an alternate to the Central Utah 911 Board of Directors.

Council Member Liz Rice MOVED that the City Council approve consent item 3a, the approval of meeting minutes from January 20, 2026 and item 3b, Central Utah 911 Alternate Board Member Appointment.

Council Member Scott L. Smith SECONDED the motion.

Council Member Doug Cortney received unanimous support to amend the motion to include the amendments to the minutes.

Council Member Liz Rice MOVED that the City Council approve consent item 3a, the approval of meeting minutes from January 20, 2026, with amendments from Council Member Cortney, and item 3b, Central Utah 911 Alternate Board Member Appointment.

Council Member Scott L. Smith SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

4. ACTION ITEMS

a. **PUBLIC HEARING/ORDINANCE: Boundary Adjustment with Highland City and Draper City** *General City Management*
Rob Patterson, City Attorney/Planning & Zoning Administrator
The City Council will consider approving the adjustment of the common municipal boundaries of Highland City and Draper City.

City Attorney/Planning & Zoning Administrator Rob Patterson presented information on the boundary adjustment with Draper City. He explained this was related to a 2022 property exchange agreement with Alpine Joint Ventures, where Highland received a trail parcel and gave up an open space parcel. The City had agreed to facilitate the boundary adjustment as part of that agreement.

The boundary adjustment would shift the trail property Highland received into Highland City and move the former open space property (now owned by Alpine Joint Ventures) into Draper.

Mayor Brittney P. Bills opened the public hearing at 7:21 p.m.

Stephanie Dimond expressed concerns related to the boundary adjustment process. She highlighted that no notifications were sent within the year 2025 to residents in her area or neighboring areas regarding the proposed annexation plan. She was particularly worried about the potential traffic impacts if development were to occur on the affected property. Stephanie noted that while the property in question is to be taken away from Highland and given back to Alpine Joint Ventures properties, there exists a road right next to her house that Highland currently uses as a water district road. Her concern centered around the possibility of that road being used as an access point if Draper were to develop the area, leading to increased traffic flow into their neighborhood, where children often play and dogs are walked, creating potential safety risks.

Mayor Bills responded by advising Ms. Dimond to refer back to previous meeting minutes for additional information. She also encouraged Ms. Dimond to follow up with the City Attorney or Council Members with any further questions, offering reassurance that resident concerns are taken seriously.

Mayor Brittney P. Bills closed the public hearing at 7:24 p.m.

Council Members asked questions about the process, resident notifications, and potential road connections. Mr. Patterson explained the procedures involved in the boundary adjustment, noting that there were objections from two residents in Beacon Hills, but they did not trigger a boundary commission hearing as they were not official protests under state law. He clarified that Metropolitan Water District owns property in the area, and there is no feasible way for a road to connect through to Highland due to the lack of access points and infrastructure in place. This assurance was in response to concerns from Stephanie Dimond during the public hearing, who expressed worries about potential development and traffic impacts on the neighborhood. Mr. Patterson further elaborated that any development on the Alpine Joint Ventures property was unlikely to connect through to Highland, as the property lines and boundaries would restrict such a project.

Council Member Ron Campbell MOVED that City Council adopt the ordinance approving the adjustment of the common municipal boundaries of Highland City and Draper City.

Council Member Kim Rodela SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

b. ACTION: City Prosecutor Appointment *General City Management*
Brittney Bills, Mayor

The City Council will consider Mayor Bills' recommendation to appoint Carl Hollan as the City Prosecutor.

Mayor Bills recommended appointing Carl Hollan as the new Highland City Prosecutor to replace the retiring prosecutor.

Mr. Hollan introduced himself, noting his background growing up in Utah County, his education at BYU and BYU Law School, his clerkships with various courts, and his experience as a prosecutor for the Utah County Attorney's Office and the Attorney General's Office, where he ran the Internet Crimes Against Children task force.

Council Member Campbell asked Mr. Hollan about his stance on enforcing encroachment issues, to which Mr. Hollan responded that it's important to hold people to community standards while working with law enforcement and City Administration.

Council Member Kim Rodela MOVED that City Council ratify Mayor Bills' appointment of Carl Hollan as the Highland City Prosecutor and direct the Mayor to sign the attached contract.

Council Member Scott L. Smith SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

c. **ACTION: Surplus of Excess Water Meters** *General City Management*
Chris Trusty, City Engineer/Public Works Director
The City Council will consider surplussing 300 Sensus Iperl 1-inch water meters.

City Engineer/Public Works Director Chris Trusty explained that the City had ordered more meters than needed for the PI meter install project and was now overstocked. Staff proposed selling 300 one-inch Sensus iPERL meters rather than returning them to Mountain Land at a reduced value. The purchase price was $258 per meter, but the return value would only be $180.99, whereas the City hoped to sell them for approximately $240 each.

After discussion about the process for selling the meters, potential buyers, and how the proceeds would be handled, the Council reached a consensus to approve the proposed surplus.

Council Member Smith recused himself from the vote due to a potential conflict of interest. He explained that his neighborhood has its own pressurized irrigation system and there have been discussions about needing to install meters in the neighborhood. Having communicated with the irrigation board, of which he is a member, they are interested in purchasing 50 of the 300 available meters at the proposed price. To avoid any perceived conflict due to his involvement, Council Member Smith chose not to participate in the vote regarding the surplus of excess water meters.

Council Member Liz Rice MOVED that City Council approve the resolution declaring the 300 Sensus Iperl 1-inch water meters as surplus and authorize the sale or disposal of these items as the City Administrator deems *best for the City.*

Council Member Ron Campbell SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Recused*

The motion carried 4:0

d. ACTION: Follow up on Storm Drain Cleaning Plans and Authorization for Purchase of a Vac Truck *General City Management*
Chris Trusty, City Engineer/Public Works Director
The City Council will consider the options for maintaining the City's storm sewer system.

The Council concluded it would be appropriate to continue this item to the next regularly scheduled Council meeting following the budget retreat.

Council Member Doug Cortney MOVED to CONTINUE this item to the next council meeting.

Council Member Kim Rodela SECONDED the motion.

City Administrator Wells asked if this motion was an indication of the Council's desire to consider the item for the Fiscal Year 2027 budget or still within Fiscal Year 2026 budget. Council Member Cortney clarified that the intent to review the matter in the next meeting to have more context after the budget retreat, allowing for an informed decision on the item's priority.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*No*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 4:1

e. ACTION: Approval of Well Chlorination Projects *General City Management*
Chris Trusty, City Engineer/Public Works Director
The City Council will consider the bid award for the Well Chlorination project to VANCON Inc in the amount of $513,700.

City Engineer/Public Works Director Chris Trusty presented information about adding chlorination capability to wells #1 and #5, noting that wells #2, #3, and #4 already have this capability. He emphasized that this would only add the capability for chlorination, not implement immediate chlorination of the City's water.
Mr. Trusty explained:

- Highland follows state guidelines for water testing, collecting 25 samples monthly throughout the distribution system
- The City has occasionally experienced higher coliform levels requiring localized "batching" with chlorine
- Highland is likely the largest water provider in the state not currently chlorinating its water
- The grant funding for the project must be spent by June/July 2026

The project involves installing sheds and equipment at wells #1 and #5. The lowest bid came from Vancon at $467,000, with a 10% contingency bringing the total to $513,700.

Council members discussed potential health concerns, taste impacts, alternatives to chlorination, and future water needs. City Engineer/Public Works Director Chris Trusty explained that Highland City currently does not chlorinate its water supply and is the largest water provider in the state not already doing so. He noted that if coliform levels in the water tests continue to rise, chlorination might become necessary to ensure the safety of the water. Currently, the City collects 25 water samples per month at various locations to monitor total coliform and E. Coli levels.

Council Member Smith mentioned his dual perspectives as a physician and member of the public health board, explaining that while chlorination is considered the standard of care for water safety, there are risks of over-chlorination. He noted a case in Pleasant Grove where oversights in chlorination caused health issues. Smith also recognized that many residents of Highland prefer the taste of non-chlorinated water.

Mr. Trusty clarified that introducing chlorination to the water system could not be reversed, as the state's recommendations require a continuous process once chlorination begins, to avoid secondary contamination risks. The City received a state grant to add chlorination capabilities to wells #1 and #5. The project must be completed by the end of June or early July 2026 to meet the grant's requirements. It involves the installation of necessary sheds and equipment, with the lowest bid for the project being $467,000. He emphasized that the proposal is only for installing chlorination infrastructure, not for starting the chlorination process imminently.

Several Council Members expressed interest in exploring options beyond chemical chlorination, such as ozone or UV disinfection methods, though Trusty acknowledged these are less feasible for large systems like Highland City's.

Council Member Campbell indicated strong opposition to chlorination unless it becomes absolutely necessary, valuing Highland's reputation for offering pure, non-chlorinated water. Others, like Council Member Cortney, emphasized the potential financial impact and wanted more clarity on long-term needs and funding before proceeding with implementation.

Council Member Kim Rodela MOVED that City Council award the well chlorination project to VANCON Inc. in the amount of $513,700.

Council Member Doug Cortney SECONDED the motion.

Mayor Bills inquired about the usage of the contingency funds included in the project cost. Mr. Trusty responded, stating that the 10% contingency was factored into the total amount, bringing it to $513,700, and explained that it is a standard practice for construction projects. Council Member Smith expressed interest in knowing how often the entire contingency is utilized in projects, to which Chris Trusty noted that contingency is not always fully used, offering the recent sewer slip lining project as an example where not all allocated contingency funds were needed.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

f. **ACTION: Appointment of Mayor Pro-Tempore** *General City Management*
Brittney Bills, Mayor
The City Council will nominate and vote for a Mayor Pro-Tempore to preside over City Council meetings in the Mayor's absence.

Council Member Kim Rodela MOVED that City Council appoint Scott L. Smith to Mayor Pro-Tempore for 2026.

Council Member Liz Rice SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

5. EXPEDITED ITEMS

Items in this section are to be acted upon by City Council. These items have been brought before Council previously. The report and presentation may be abbreviated.

a. **RESOLUTION: Open Space Sale Rate Policy** *General City Management*
Jay Baughman, Assistant City Administrator/Community Development Director
The City Council will consider options for, and a resolution, designating the value of orphan parcels and other City-owned land for 2026. The Council will take appropriate action.

A staff memo from Assistant City Administrator/Community Development Director Baughman explained the Council reviewed this item during their January 20, 2026 meeting; staff recommends the City Council discuss the methodology options presented and adopt a resolution outlining the best policy choice for setting the orphan open space sale rate. Based on the current methodology, the value for orphan parcels for 2026 would be **$5.18** per square foot; however, an alternate method proposes the value for orphan parcels for 2026 is **$5.72** per square foot.

Council Member Kim Rodela MOVED that City Council adopt the Resolution Designating the Valuation of Orphan Parcels for 2026 utilizing the alternate method for designating the value of orphan parcels for 2026 and adopt the Orphan Property Disposal Policy Resolution.

Council Member Ron Campbell SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell Yes
Council Member Doug Cortney Yes
Council Member Liz Rice Yes
Council Member Kim Rodela Yes
Council Member Scott L. Smith Yes

The motion carried 5:0

b. RESOLUTION: Close Out and Dissolve Open Space Special Service District *General City Management*
Rob Patterson, City Attorney/Planning & Zoning Administrator
The City Council will consider adopting a resolution dissolving the Highland City Open Space Special Service District.

City Attorney/Planning & Zoning Administrator Patterson explained that in May and June of 2023, as part of the FY2024 budget, the City Council (sitting as the board of the open space special service district) repealed the $20 open space fee that was previously assessed to residents living in open space subdivisions. The Council also adopted a budget for the open space special service district that directed that the district would cease operations and the open space fund be closed out, with any fund balance returned to Highland City. Staff recommends that the City Council adopt the proposed resolution dissolving the Highland City Open Space Special Service District.

Council Member Scott L. Smith MOVED that City Council adopt the resolution dissolving the Highland City Open Space Special Service District and closing the associated Open Space Fund.

Council Member Kim Rodela SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell Yes
Council Member Doug Cortney Yes
Council Member Liz Rice Yes
Council Member Kim Rodela Yes
Council Member Scott L. Smith Yes

The motion carried 5:0

6. COMMUNICATION ITEMS

Communication items are informational only. No final action will be taken.

a. Signage in the Residential Professional Zone
Doug Cortney, Council Member

Council Member Cortney presented information about signage rules in the Residential Professional (RP) zone compared to the Professional Office (PO) zone. He noted that the RP zone only allows two monument signs with 130 feet between them, which creates issues for the office buildings at the corner of Alpine Highway and State Road (SR) 92.

After discussion, Council Members expressed interest in addressing this issue at a future meeting to create more consistent standards and allow for a third monument sign for the third building in that area.

b. Fire Station Driveway Update
Chris Trusty, City Engineer/Public Works Director

City Engineer/Public Works Director Trusty reported on progress with Rocky Mountain Power regarding the relocation of a utility cabinet needed for the fire station driveway. After initial resistance from Rocky Mountain Power, the City determined that according to the franchise agreement, Rocky Mountain Power is required to move infrastructure in the City right-of-way at no cost. Rocky Mountain Power has agreed to cover their costs but requested that the City handle the trenching and conduit installation. The Council generally supported this approach, provided staff determined it was safe to do so, and expressed concerns about the increased costs due to delays.

7. WORK SESSION

a. Cemetery Perpetual Care Fund
Aaron Sanborn from Zions Public Finance will discuss the results of the Cemetery Perpetual Care Fund study.

Aaron Sanborn from Zions Public Finance presented the Cemetery Perpetual Care Fund study. The study examined the long-term sustainability of the cemetery fund after all plots are sold and burial revenue ends.
Key findings included:

- As of 2024, about 4,000 plots had been sold with about 6,000 remaining
- At current rates, all plots would be sold by 2040, and openings/closings would continue until about 2070
- Highland's current plot prices are below the average of comparable cities
- The endowment would need to reach approximately $26 million by 2075 to generate sufficient interest to cover maintenance expenses

Four scenarios were presented:

- Repay only land costs to the General Fund with a 15% immediate rate increase
- Repay all costs to the General Fund with an 18.5% immediate rate increase
- No repayment to the General Fund with a 13.5% immediate rate increase
- Repay all costs but keep fees at current average with a significant funding gap

Staff explained that the original intent when establishing the fund in 2017 was to repay 75% of the capital costs to the General Fund. Full repayment would take approximately 10 years at about $90,000 per year.

Council members discussed various aspects including:

- Potential differences between resident and non-resident rates
- Whether to sell plots back at original or current rates
- Long-term sustainability of the fund
- Whether the General Fund should subsidize cemetery maintenance

The majority of Council members expressed preliminary support for Scenario 2, which would repay all costs to the General Fund and ensure long-term sustainability of the cemetery. Staff agreed to bring back additional information for further consideration.

8. CLOSED MEETING

The City Council may recess to convene in a closed meeting to discuss items, as provided by Utah Code Annotated §52-4-205.

At 9:34 pm Council Member Liz Rice MOVED that the City Council recess the regular meeting to convene in a closed meeting in the Executive Conference Room to discuss pending or reasonably imminent litigation, as *provided by Utah Code Annotated §52-4-205.*

Council Member Scott L. Smith SECONDED the motion.

The vote was recorded as follows:

Council Member Ron Campbell	*Yes*
Council Member Doug Cortney	*Yes*
Council Member Liz Rice	*Yes*
Council Member Kim Rodela	*Yes*
Council Member Scott L. Smith	*Yes*

The motion carried 5:0

Council Member Doug Cortney MOVED to adjourn the CLOSED MEETING and Council Member Ron Campbell SECONDED the motion. All voted in favor and the motion passed unanimously.

The CLOSED MEETING adjourned at 10:33 pm.

ADJOURNMENT

Council Member Doug Cortney MOVED to adjourn the regular meeting and Council Member Scott L. Smith SECONDED the motion. All voted in favor and the motion passed unanimously.

The meeting adjourned at 10:34 pm.

I, Stephannie Cottle, City Recorder of Highland City, hereby certify that the foregoing minutes represent a true, accurate and complete record of the meeting held on February 3, 2026. This document constitutes the official minutes for the Highland City Council Meeting.

Stephannie Cottle, CMC, UCC
City Recorder

Welcome to the Highland City Council Meeting

February 3, 2026

Please Sign the Attendance Sheet

Scan for Agenda

HIGHLAND CITY

6:00 PM REGULAR SESSION

Call to Order – Mayor Brittney P. Bills

Invocation – Council Member Scott L. Smith

Pledge of Allegiance – Council Member Ron Campbell

HIGHLAND CITY

UNSCHEDULED PUBLIC APPEARANCES

HIGHLAND CITY IS COMMITTED TO CIVILITY AND RESPECT.
ALL ARE ASKED TO ACT AND SPEAK ACCORDINGLY.

Time set aside for the public to express their ideas and comments on non-agenda items.

- Please state your name clearly.
- Limit your comments to three (3) minutes.

PRESENTATIONS

a. FY25 Audit Report – *Steve Rowley, K&C CPAs*
b. Highland Glen Bike Park Open House Report and Proposed Next Steps – *Rob Donigan & Steve Sears*

HIGHLAND GLEN

BIKE PARK

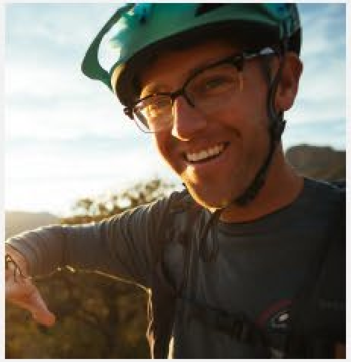
2025 REPORT AND FUTURE PLANS

WHO WE ARE

LONE PEAK TRAILS ASSOCIATION

Steve Sears

Blakely Cragun



Justin Olsen

LONE PEAK TRAILS ASSOCIATION

We are a community-driven 501(c)(3) non-profit dedicated to building and maintaining high-quality trail systems in the Lone Peak area.

Our Mission: Help every rider grow their skills.

www.lptrails.org

HOW WE'VE TRANSFORMED HIGHLAND GLEN BIKE PARK

WHERE WE STARTED

WHERE WE ARE NOW

THANKS TO A THRIVING COMMUNITY

FUNDS RAISED FOR THE CITY

TOTAL ESTIMATED VALUE GIVEN TO HIGHLAND: $330k

FUNDS USES AT THE BIKE PARK

SHORT-TERM REQUESTS

$60K MAINTENANCE BUDGET

Annual budget for park and jump maintenance.

Thank you!

WATER ACCESS UPDATE

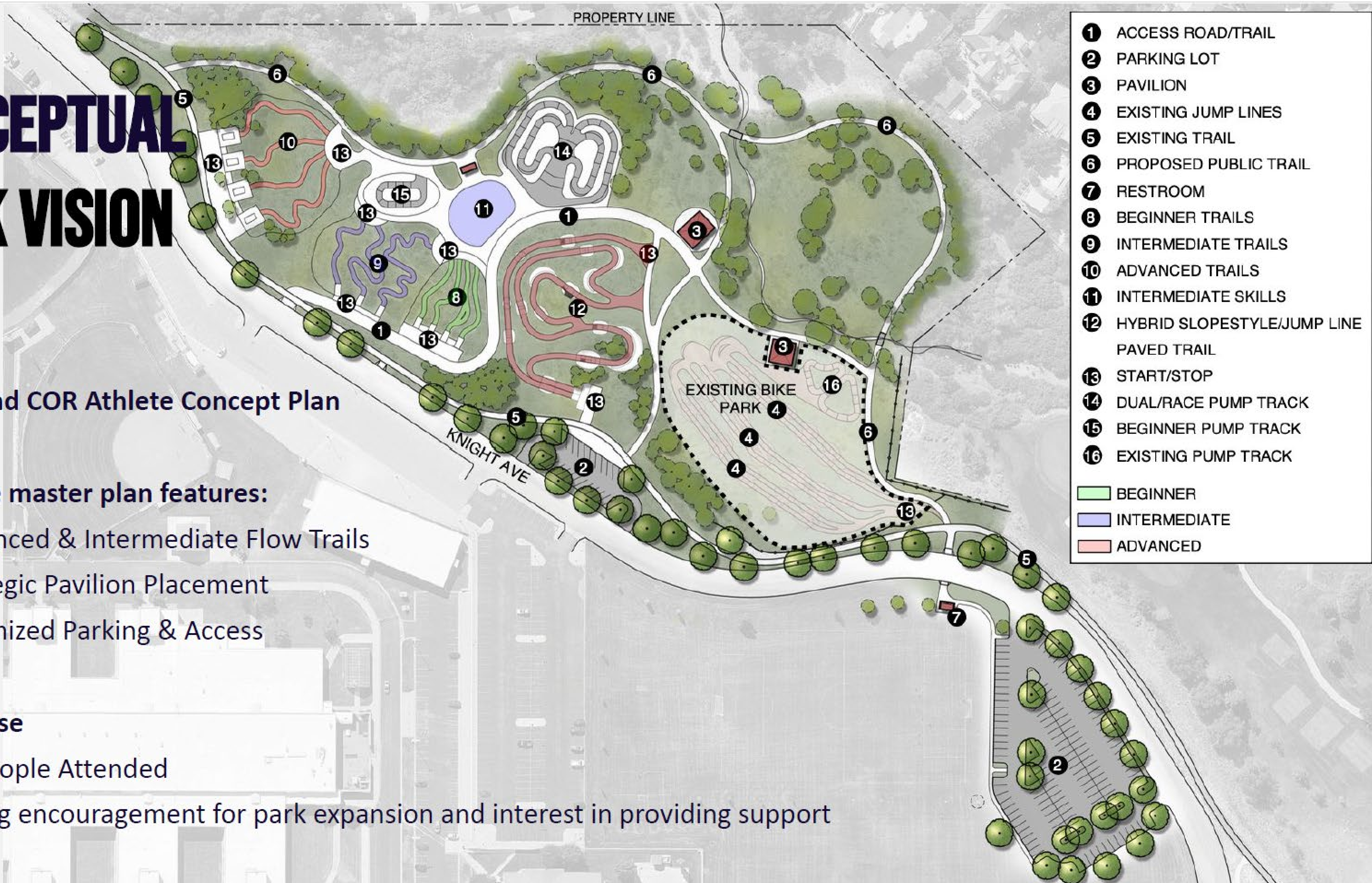
Install hose bibs to water new jump and pump track zones without crossing lines.

Thank you!

GRANT APPLICATION SUPPORT

Support for a dedicated resource to unlock state and federal recreation funding.

CONCEPTUAL PARK VISION



blū line and COR Athlete Concept Plan

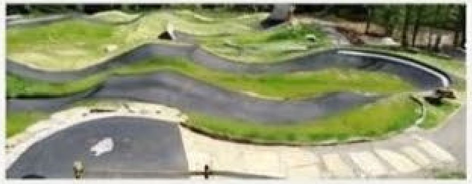
The 9-acre master plan features:

- Advanced & Intermediate Flow Trails
- Strategic Pavilion Placement
- Optimized Parking & Access

Open House

- 50 People Attended
- Strong encouragement for park expansion and interest in providing support

CONCEPTUAL PARK FEATURE VISUALS



EARLY PARK CONSTRUCTION ESTIMATES

FUNDING SOURCE	2026 - 2030 BUDGET RANGE
HIGHLAND CITY	20% - 40%
LPTA PRIVATE RAISING	10% - 30%
GRANT SECUREMENT	50%

TOTAL PROJECT: $2M – $10M

LONG-TERM REQUESTS

CITY PLAN ADOPTION

Formal adoption of the full nine-acre bike park and final conceptual plan into the official Highland master plan.

CONSTRUCTION PREP

Authorization to accept dirt donations and prepare the broader park for expansion.

FUNDING APPETITE

Determine city commitments for park construction (now-2030) and long-term maintenance.

THANK YOU

QUESTIONS FOR THE LPTA TEAM?

www.lptrails.org

CONSENT ITEMS *(5 minutes)*

3a. Approval of Meeting Minutes: January 20, 2026
General City Management

3b. Central Utah 911 Alternate Board Member Appointment
General City Management

Motion to Approve

I move that the City Council approve consent item 3a, the approval of meeting minutes from January 20, 2026 and item 3b, Central Utah 911 Alternate Board Member Appointment.

BOUNDARY ADJUSTMENT WITH HIGHLAND CITY AND DRAPER CITY

General City Management

Item 4a – Action/Ordinance

Presented by – Rob Patterson, City Attorney/Planning & Zoning Administrator

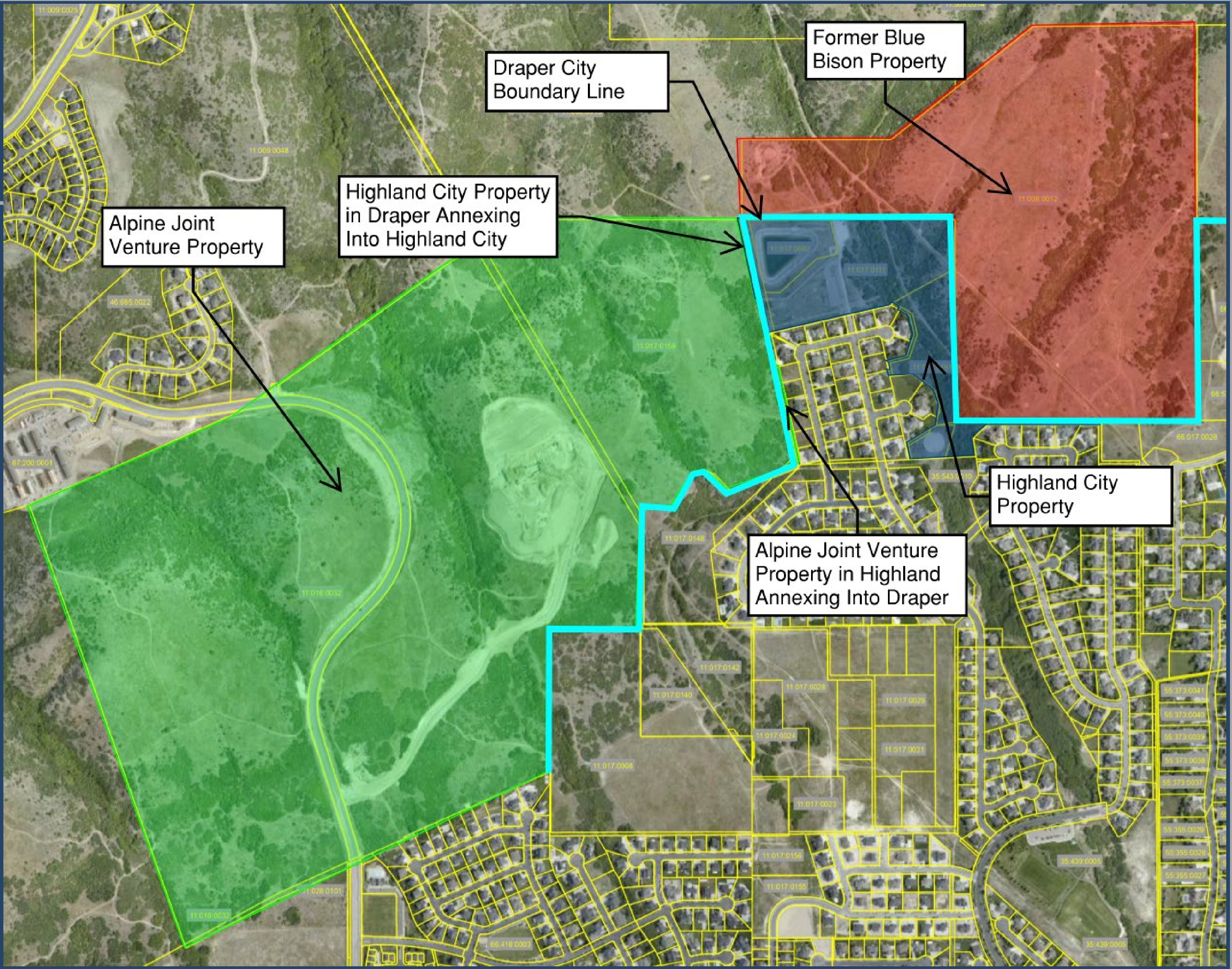
Background

- 5 years ago, owner of private property in Draper north of Highland (Blue Bison) restricted access from Highland's Angel's Gate trail head into Draper on historical trails
- Highland explored options for preserving trail access into Draper open space and trails
- Highland negotiated a property exchange with Alpine Joint Ventures to acquire property that connects directly to Draper City open space

Background

- 2022 – City Council approved property exchange agreement with Alpine Joint Venture
  - City acquired trail parcel
  - AJV acquired open space parcel from Beacon Hill Plat H
  - City agreed to allow AJV property to be annexed into Draper and to facilitate boundary adjustment
- 2022 – City constructed trail on west side of pond on newly acquired property to allow public access to Draper open space/trails
- December 2025 – City Council unanimously adopted resolution to begin boundary adjustment process

Vicinity Map



Vicinity Map

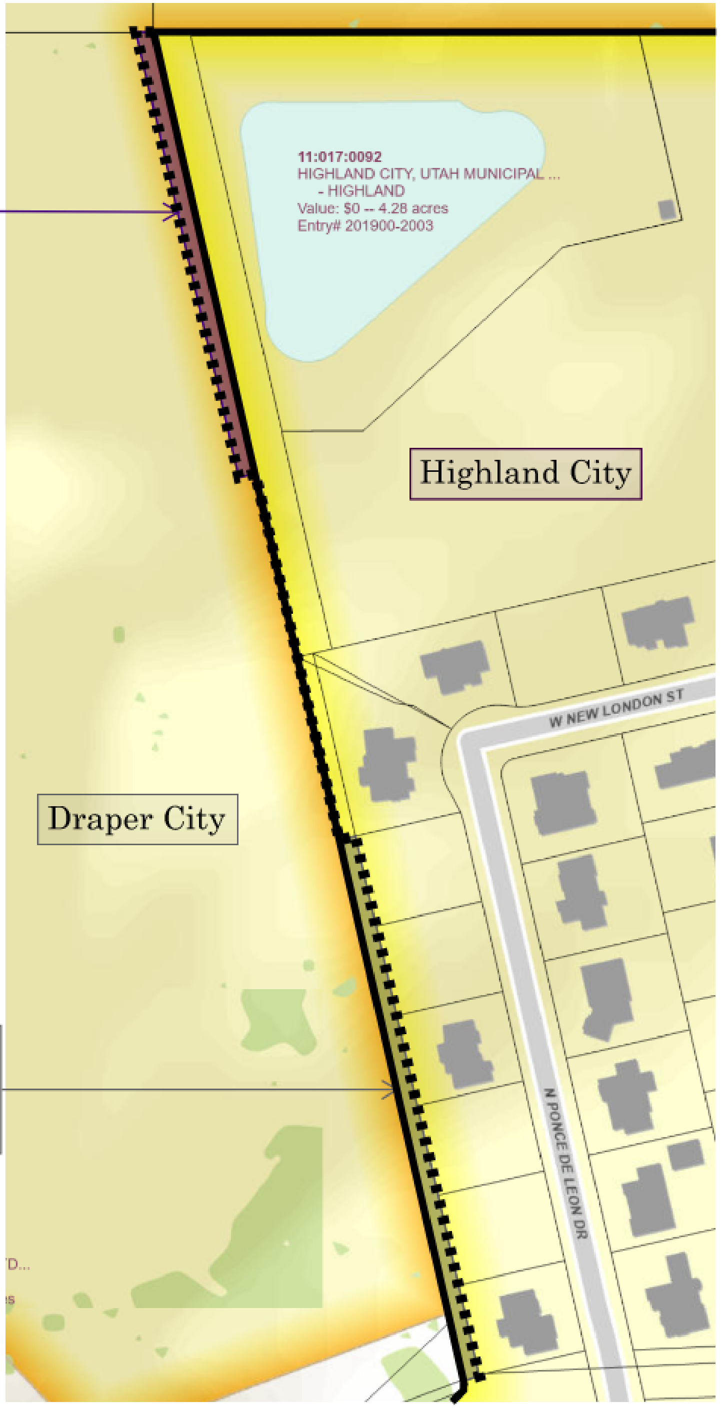
Parcel: 11:017:0157
Owner: Highland City
To be annexed from Draper City into Highland City

Key

Current municipal boundary line

Proposed municipal boundary line

Parcel: 35:544:0050
Owner: Alpine Joint Venture LTD
To be annexed from Highland City into Draper City



Proposed Boundary Adjustment

- Proposal is to move Highland City property into Highland and Alpine Joint Venture property into Draper
- Multi-step process
  - Adoption of resolution of intent (December 2025)
  - Public notice of public hearing and right to protest
  - **Public hearing**
  - **If approved, adoption of ordinance approving boundary adjustment**
  - Notice to Lieutenant Governor
  - Filing with Utah County

Objections

- Two residents have presented objections
- Objections are not considered valid “protests” under state law and so no additional procedures are required
  - Protests can only be filed by state or owners of private property within area being adjusted
- Resident concerns with potential development
  - There is no plan for development of AJV property
  - Owner of Alpine Joint Venture is building a personal residence on property
  - No way for road to connect into Highland

Staff Review

- The open space parcel has already been sold and transferred to Alpine Joint Ventures
- Preference to keep Highland property in Highland
- Contract with AJV directs Highland to pursue boundary adjustment
- Staff recommends holding a public hearing and adopting the Ordinance approving the adjustment of the boundaries of Highland City and Draper City

Motion to Approve

I move that City Council adopt the ordinance approving the adjustment of the common municipal boundaries of Highland City and Draper City.

CITY PROSECUTOR APPOINTMENT

General City Management

Item 4b – Action

Presented by – Brittney Bills, Mayor

Erin Wells, City Administrator

Background

- Long time City Prosecutor, Tucker Hansen, is retiring at the end of February, necessitating the need to hire a new prosecutor.
- Justice Court ILA with Alpine allows us to select one prosecutor to serve both jurisdictions.
- This has been the historical setup and works well.
- Administration, attorneys, and police department reviewed applicants from Request for Proposal.

Background

- Staff recommended Carl Hollan to Mayor Bills for appointment
- Alpine approved Mr. Hollan's contract on January 27.
- If approved, Mr. Hollan would begin right away to ensure smooth transition.
- Flat rate of $70,000 for first year with escalation in subsequent years. Amount falls within current budget.

Motion to Approve

I move that City Council ratify Mayor Bills' appointment of Carl Hollan as the Highland City Prosecutor and direct the Mayor to sign the attached contract.

SURPLUS OF EXCESS WATER METERS

General City Management

Item 4c – Action/Resolution

Presented by – Chris Trusty, City Engineer/Public Works Director

Meter Surplus

- In conjunction with the city's PI meter installation project, Highland City overpurchased meters
- A portion of the overstocked meters will be kept by the City
- Staff would like to surplus 300 1-inch Sensus Iperl meters that we will not be likely to use
- Original purchase price was $258; current pricing is $280; Return pricing is $180.99
- Staff recommends surplus meters be sold for $240
- Staff have verified that the state will allow with documentation provided showing credits

Motion to Approve

I move that City Council approve the resolution declaring the 300 Sensus Iperl 1-inch water meters as surplus and authorize the sale or disposal of these items as the City Administrator deems best for the City.

FOLLOW UP ON STORM DRAIN CLEANING PLANS AND AUTHORIZATION FOR PURCHASE OF A VAC TRUCK

General City Management

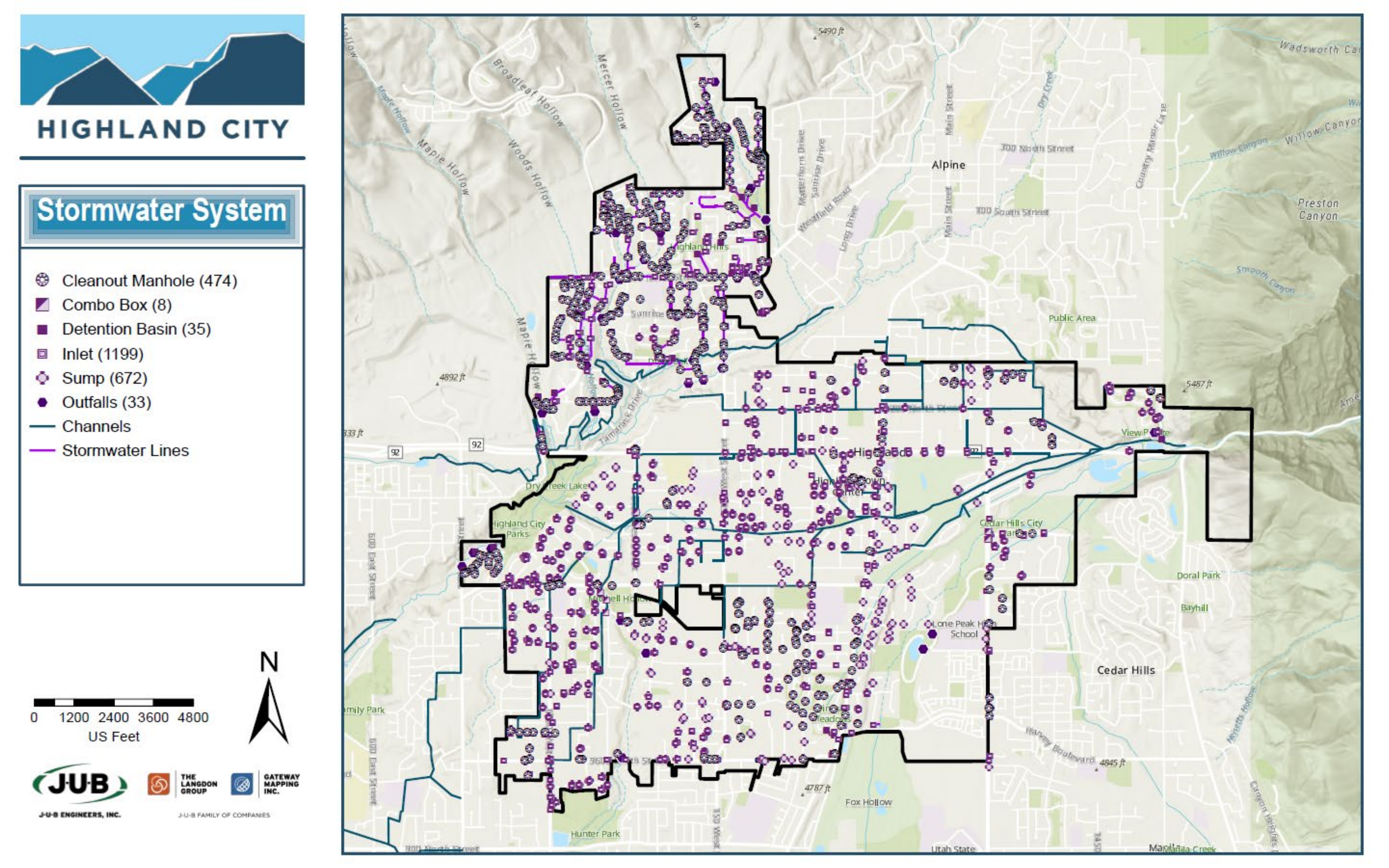
Item 4d – Action

Presented by – Chris Trusty, City Engineer/Public Works Director

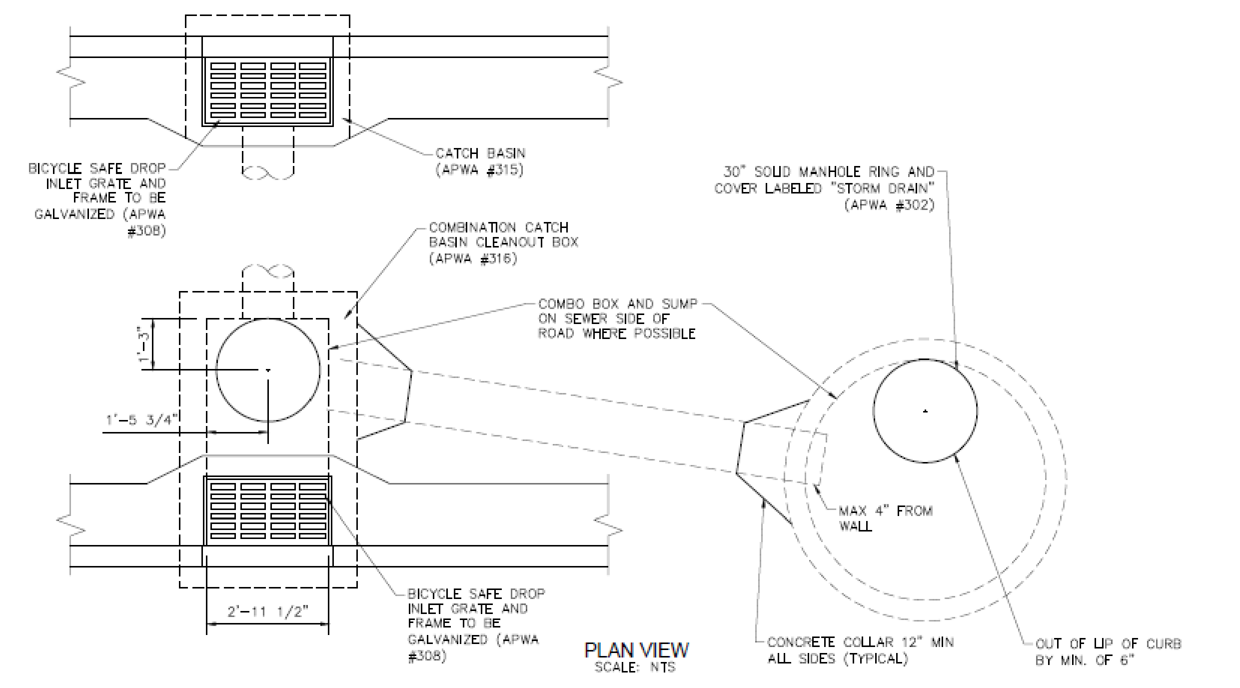
Stormwater System Map

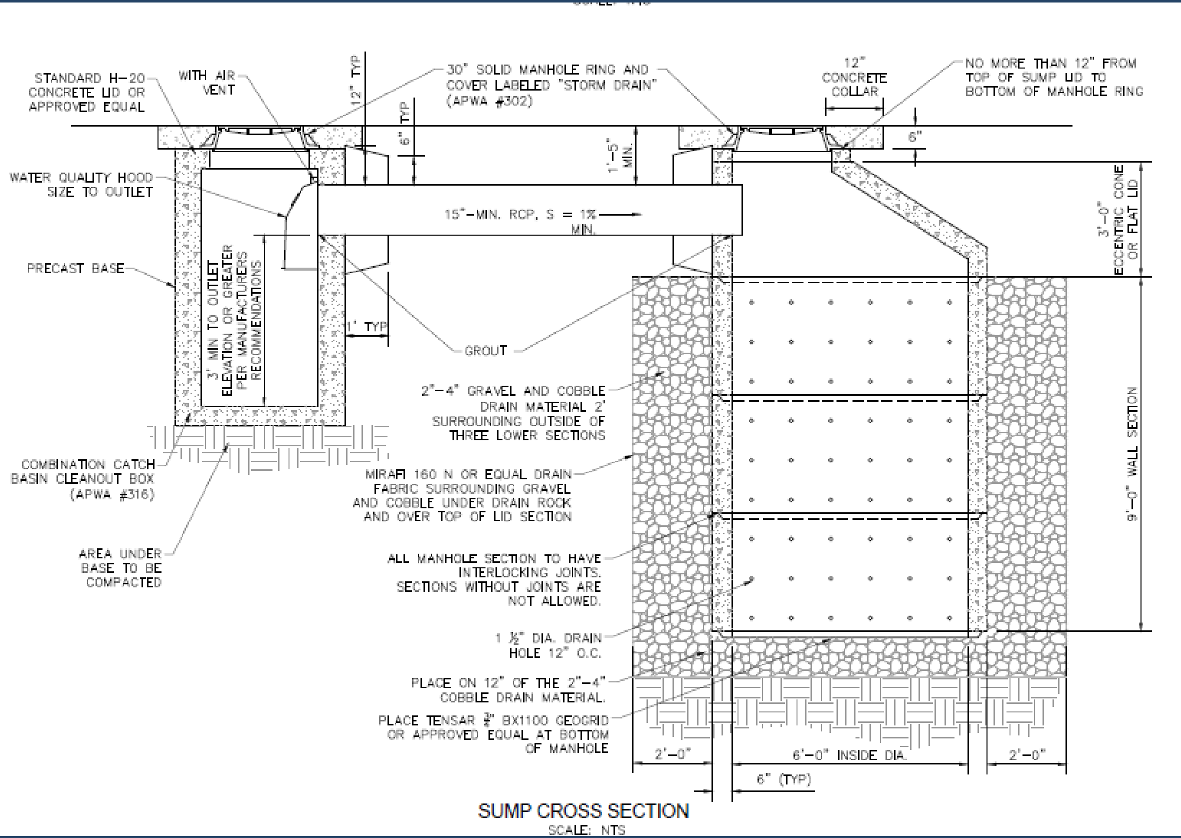
- The City’s storm drain system is a vital component of the city’s infrastructure
- Clogged systems prevent rainfall from properly infiltrating into the ground and potentially cause flooding
- To prevent this, systems should be cleaned routinely system wide a minimum of once every three years

Stormwater System Map



Storm Drain Maintenance





Storm Drain Maintenance

- Vac Truck with boom
- Capable of jetting storm drain and vacuuming out debris
- $620,000

Storm Drain Maintenance

Maintenance Bid	Hydro Vac	Noland Construction	BHI	Hydro Hog	Highland City Vac Truck
Year 1	$263,125	$132,600	$588,793	$296,295	$681,160
Year 2	$281,544	$140,400	$613,261	$296,295	$73,404
Year 3	$301,520	$149,150	$637,729	$296,295	$75,306
3 YR TOTAL	$846,189	$422,150	$1,839,782	$888,885	$829,870

Motion to Purchase the Vac Truck in FY26

I move that the City Council direct staff to move forward with the storm drain cleaning plan in house and approve the purchase of a vac truck in an amount not to exceed $620,000 from GL# 54-40-59, $480,000 of which will be included in the year-end budget adjustments using fund balance.

Motion to Purchase the Vac Truck in FY27

I move that the City Council direct staff to include an in-house storm drain cleaning program including the purchase of a vac truck in the FY27 budget for consideration.

Motion to Contract Out the Service

I move that the City Council award a bid to Noland Construction for a three-year storm drain cleaning and maintenance contract in an amount of $464,365 which includes a 10% contingency.

APPROVAL OF WELL CHLORINATION PROJECTS

General City Management

Item 4e – Action

Presented by – Chris Trusty, City Engineer/Public Works Director

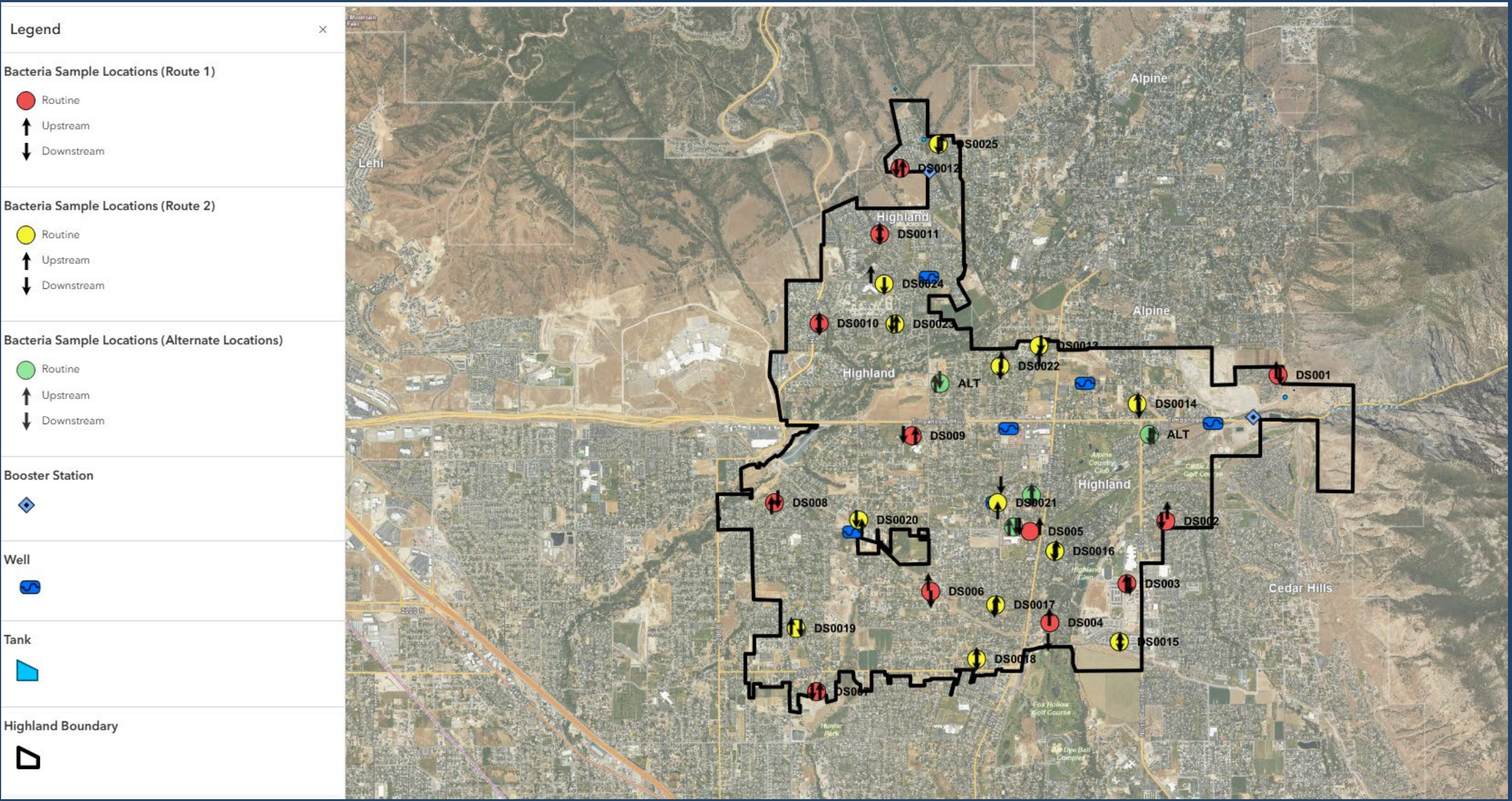
Division of Drinking Water statement on Chlorination of drinking water systems

"The Unites States Environmental Protection Agency has provided guidelines and rules that support chlorine as a disinfectant in drinking water systems. Chlorine residual assists in reducing the likelihood of disease from microorganisms in water systems. Introduction of chlorine into a system has been found to be an efficient, safe, and effective means to improve water quality and protect public health."

Water system testing

- Highland City follow state guidelines in collecting and reporting routine water samples throughout our distribution system
- Staff pulls 25 samples each month in two separate stages to ensure that samples provide a good representation of the condition of the city's drinking water
- Testing is performed to detect total coliform and e.coli; Coliform bacteria is used as an indicator of possible contamination.
- Past "hits" have not been to the level of requiring notification and have typically been on the extremities of the system where water may not circulate as frequently and have correlated with warmer weather

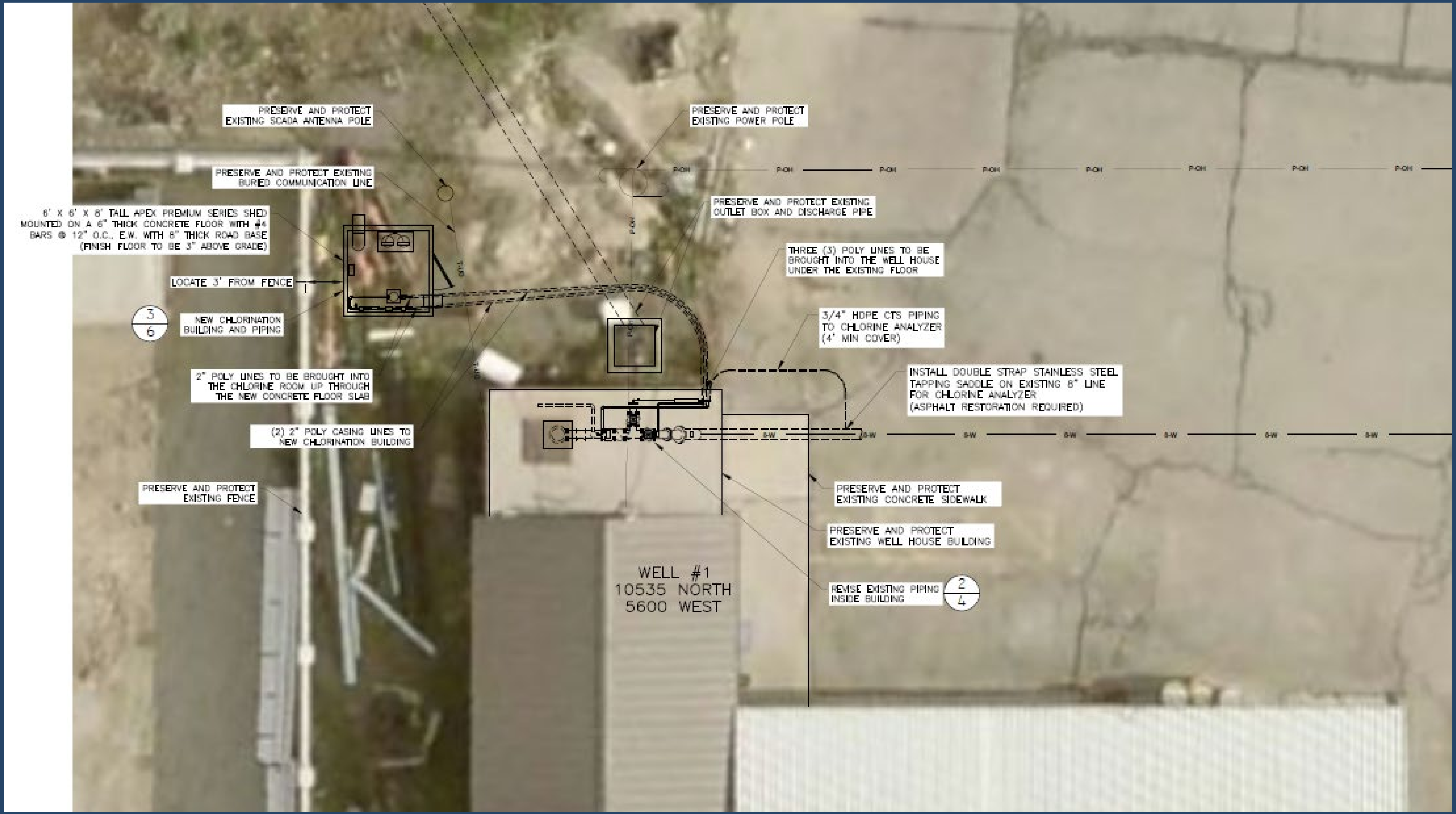
Well Chlorination



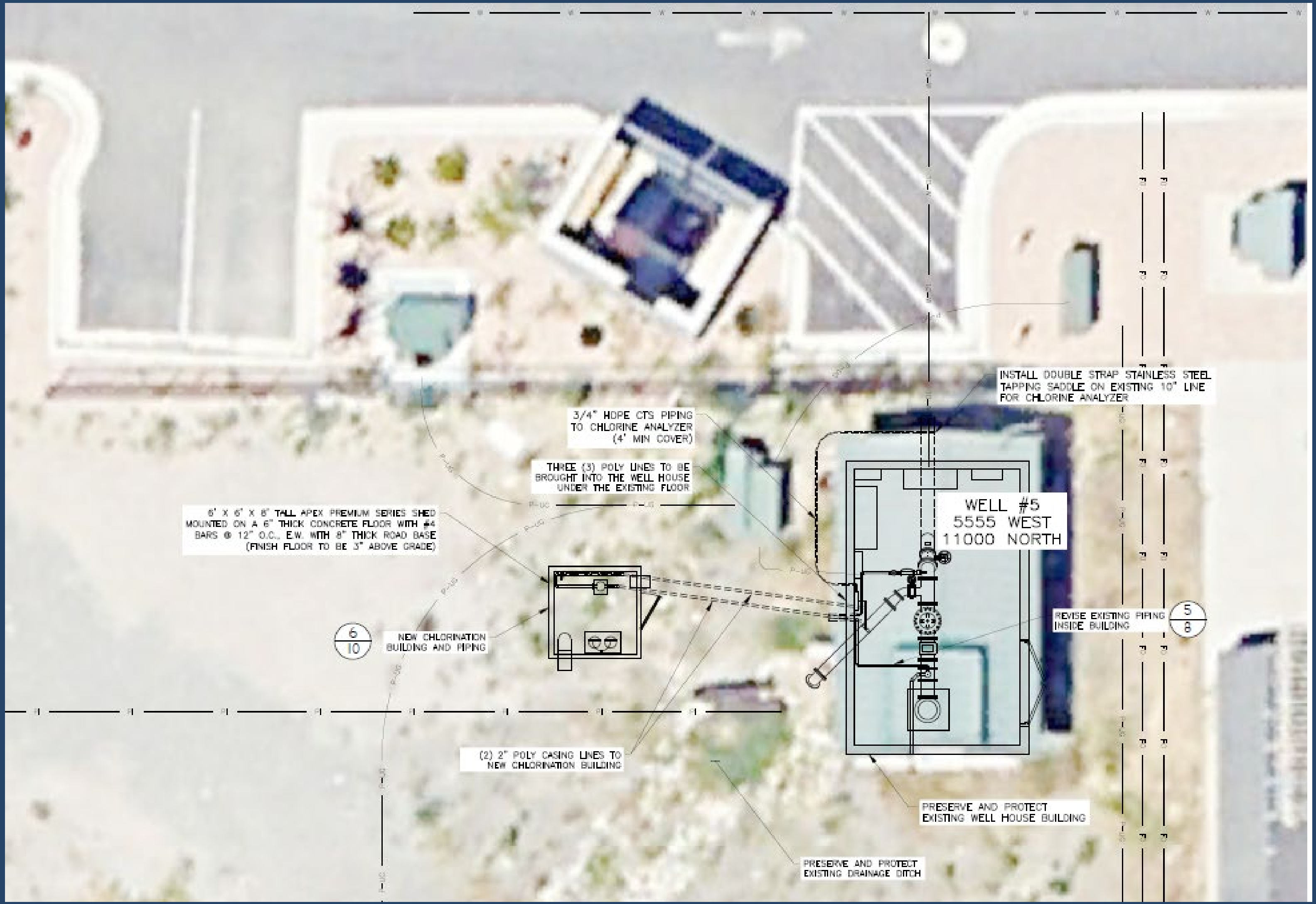
Well Chlorination

- Highland City does not currently chlorinate the city's culinary water supply. Wells 1 and 5 do not have the ability to inject chlorination into the city's water source while the other wells do
- Adding the ability to chlorinate does not mean the city will begin chlorination but that we will have the ability to when and IF that needs arises
- "Batching" might be an occasional option if needed
- Once we start chlorination at the source we cannot stop per state recommendations
- Staff will only begin chlorination at the direction of city council and administration. This will be discussed in future meetings.

Well #1 Chlorination



Well #5 Chlorination



State Funding

- Highland City received a grant from the state of Utah for $1,000,000 for system upgrades
- Well #5 has been rehabilitated to remove entrained air which caused water to appear “cloudy”
- The City has added PRV’s to the system to better regulate pressures
- Remaining funding would be used toward adding chlorination facilities to wells 1 and 5
- State fund are required to be spent by July 2026

Well Chlorination Bids

CONTRACTOR	WELL #1 BID	WELL #5 BID	TOTAL BID
CORRIO	$275,302	$202,241	$477,543
FX CONSTRUCTION	$309,620	$238,920	$548,540
J LYNE ROBERTS	$303,938	$199,951	$503,889
NELSON BROTHERS	$277,990	$219,020	$497,010
TEKKO	$363,690	$404,641	$768,151
VANCON	$271,000	$196,000	$467,000

- VanCon is the low bid for this project. Adding a 10% contingency to their bid Comes to $513,700
- Anticipated additional costs not included in the contract include SCADA for the chlorination of both wells adding an estimated $50,000

Motion to Approve

I move that City Council award the well chlorination project to VANCON Inc. in the amount of $513,700.

APPOINTMENT OF MAYOR PRO-TEMPORE

General City Management

Item 4f – Action

Presented by – Brittney P. Bills, Mayor

Motion to Approve

- I move that City Council appoint XXXXX to Mayor Pro-Tempore for 2026.

OPEN SPACE SALE RATE POLICY

General City Management

Item 5a – Expedited/Resolution

Presented by – Jay Baughman, Assistant City Administrator/Community Development Director

Motion to Approve – Current Method

I move that City Council adopt the Resolution Designating the Valuation of Orphan Parcels for 2026 utilizing the current method for designating the value of orphan parcels for 2026.

Motion to Approve – Alternate Method

I move that City Council adopt the Resolution Designating the Valuation of Orphan Parcels for 2026 utilizing the alternate method for designating the value of orphan parcels for 2026 and adopt the Orphan Property Disposal Policy Resolution.

HIGHLAND CITY

CLOSE OUT AND DISSOLVE OPEN SPACE SPECIAL SERVICE DISTRICT

General City Management

Item 5b – Expedited/Resolution

Presented by – Rob Patterson, City Attorney/Planning & Zoning Administrator

Motion to Approve

I move that City Council adopt the resolution dissolving the Highland City Open Space Special Service District and closing the associated Open Space Fund.

SIGNAGE IN THE RESIDENTIAL PROFESSIONAL ZONE

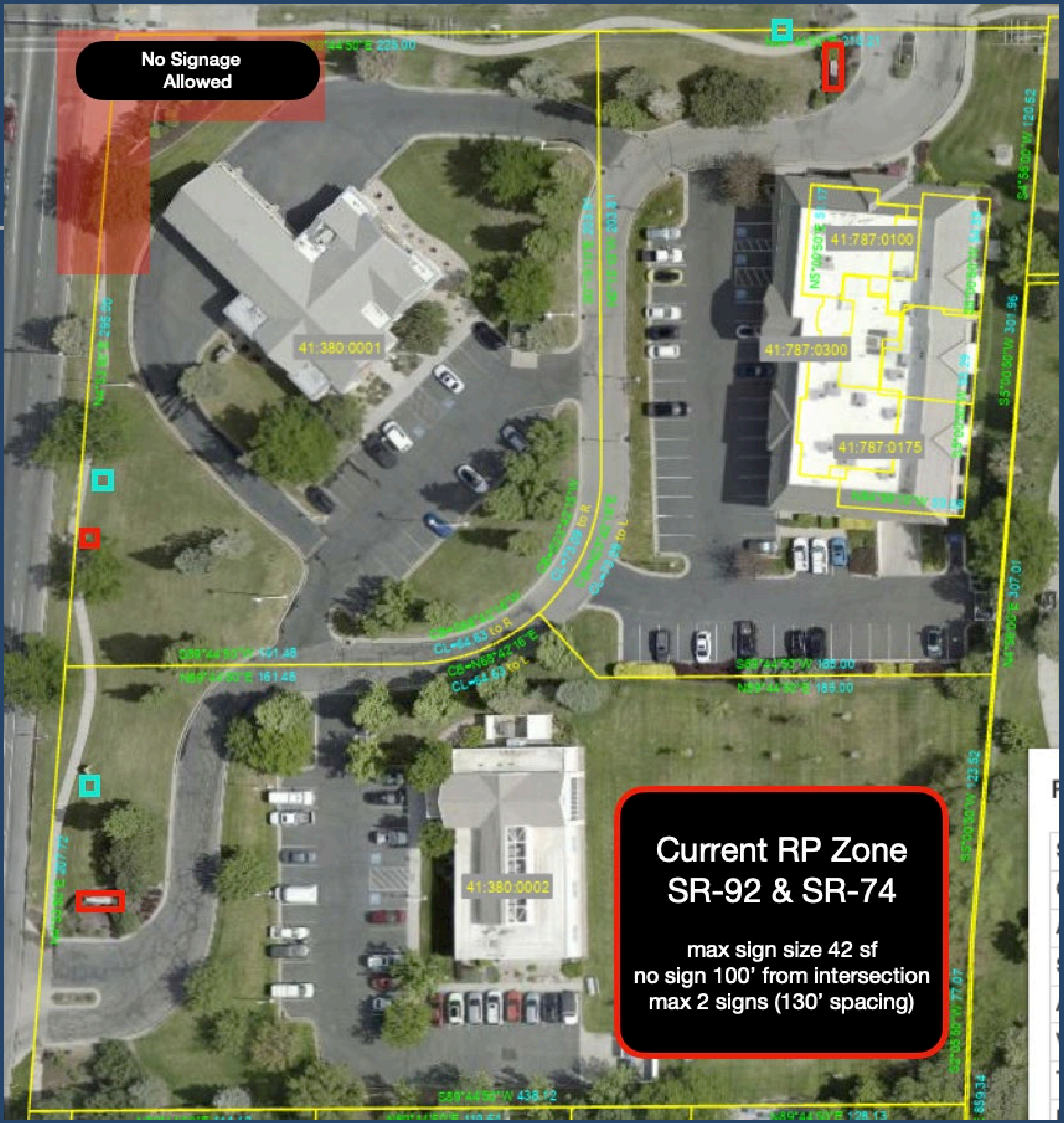
Item 6a – Communication

Presented by – Doug Cortney, City Council Member

Current RP Zone Lot

- No additional signage

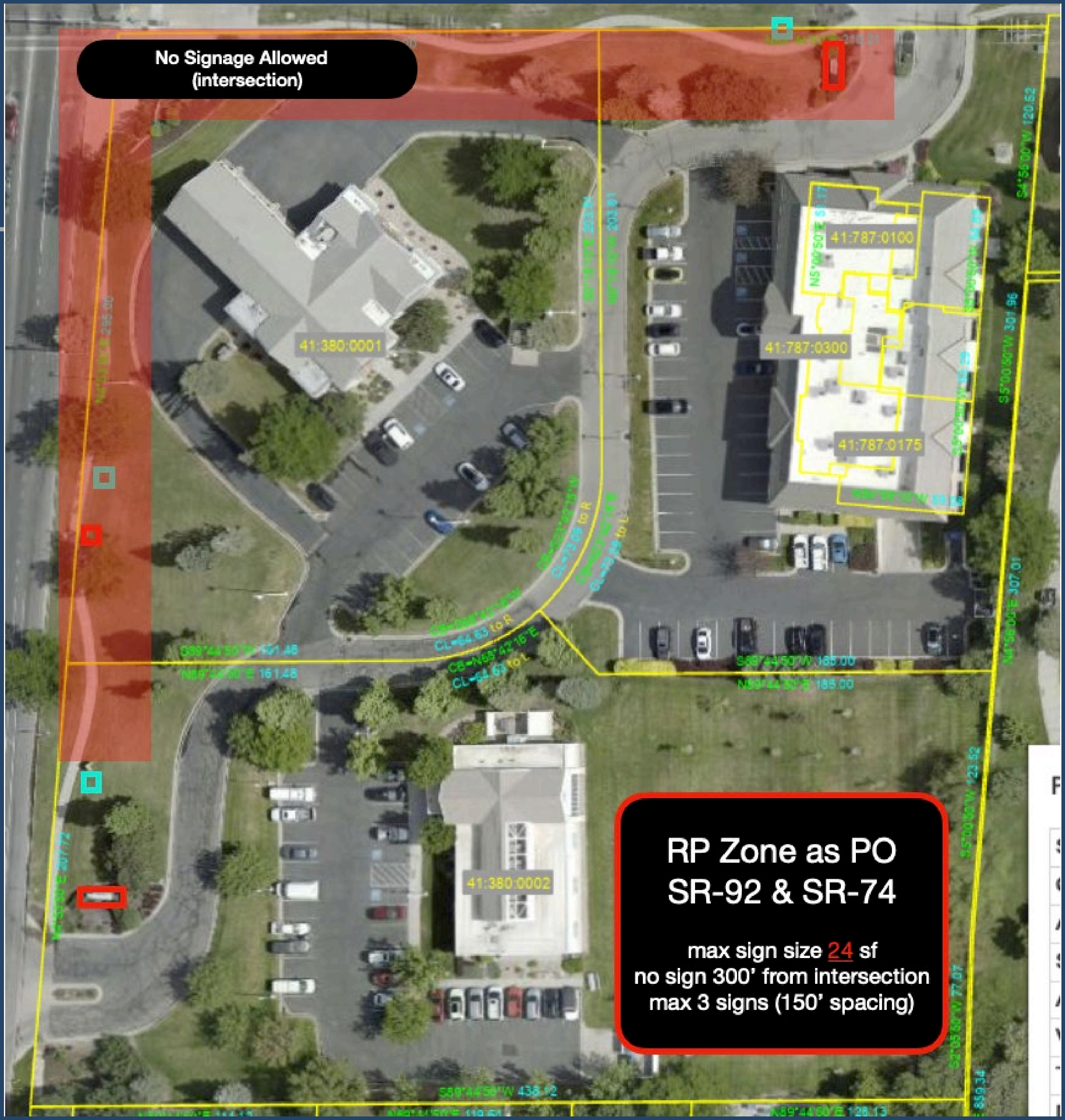
Due to max sign limit



Lot With PO Zone Standards

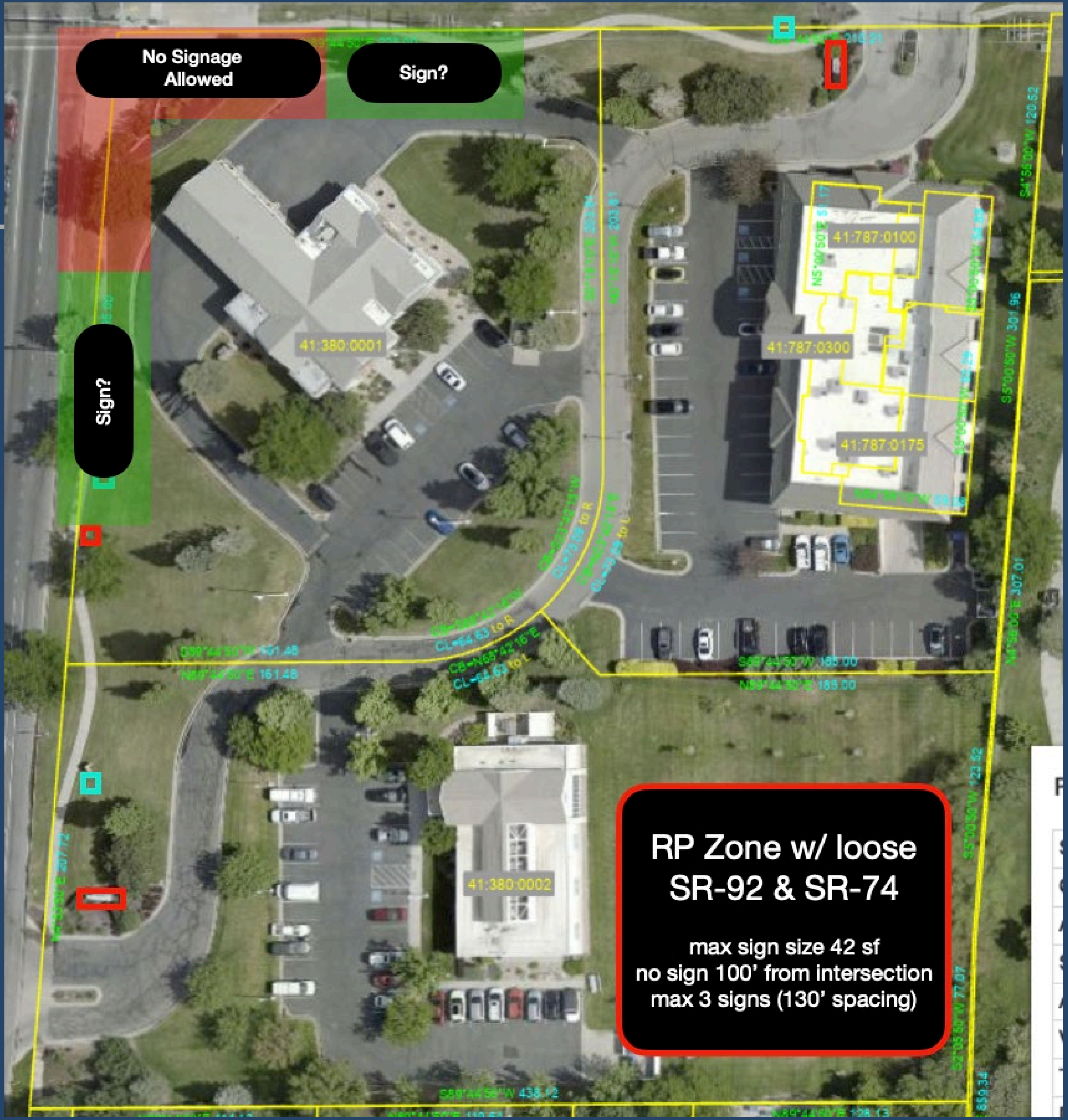
- No additional signage

Setback requirements



Lot With New Requirements

- Keep most setbacks
- Allow one sign per building



FIRE STATION DRIVEWAY UPDATE

Item 6b – Communication

Presented by – Chris Trusty, City Engineer/Public Works Director

FUTURE MEETINGS

- February 5, City Council Budget Retreat, 9:00 am
- February 17, City Council Meeting, 6:00 pm, City Hall
- February 24, Planning Commission Meeting, 7:00 pm, City Hall
- March 3, City Council Meeting, 6:00 pm, City Hall
- March 11, Lone Peak Public Safety District Meeting, 7:30 am, City Hall
- March 17, City Council Meeting, 6:00 pm, City Hall
- March 24, City Council Work Session, 6:00 pm, City Hall
- March 31, Planning Commission Meeting, 7:00 pm, City Hall

CEMETERY PERPETUAL CARE FUND

General City Management

Item 7a – Work Session

Presented by – Jay Baughman, Assistant City Administrator and Aaron Sanborn from Zions Public Finance

Background

Cemetery Perpetual Care Fund was established in December 2017 by R-2017-32

Designed to ensure the long-term care and maintenance of the cemetery

Background

25% of future **capital costs** and **10%** of **ongoing maintenance** costs will be subsidized by the **General Fund**

After lot sales end, **only interest** from the fund's corpus will be used for **cemetery maintenance and capital costs**, with any shortfall covered by the General Fund.

Background

Cemetery plot fees increase by approximately 3% annually for inflation

Burial fees will be adjusted as needed to cover service costs

Model shows that building the endowment is feasible and reasonable

Motion to Adjourn to Closed Meeting

I move that City Council recess the regular City Council meeting to convene in a closed meeting in the executive conference room to discuss pending or reasonably imminent litigation, as provided by Utah Code Annotated §52-4-205.

CLOSED MEETING

The Highland City Council has recessed the regular City Council meeting to convene in a closed meeting to discuss pending or reasonably imminent litigation, as provided by Utah Code Annotated §52-4-205.

The regular City Council meeting will adjourn immediately following the end of the closed meeting.

HIGHLAND CITY, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

HIGHLAND CITY

HIGHLAND CITY, UTAH
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Honorable Mayor and
Members of City Council
Highland City
Highland City, Utah

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of contributions, budgetary comparison schedule for the General fund, budgetary comparison schedule for the Road Fee special revenue fund, and notes to the required supplementary information, as noted 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 29, 2026

HIGHLAND CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2025

The management of Highland City presents the following narrative and analysis of the financial statements and financial activities of Highland City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2025.

Financial Highlights

The assets and deferred outflows of resources of Highland City exceeded its liabilities and deferred inflows of resources at June 30, 2025 by $175,945,767 (net position). Of this amount $26,306,561 (unrestricted net position) may be used to meet the government's ongoing obligations.

Highland City's total net position increased by $6,210,261. The majority of the increase was the result of assets contributed to the City from developers, and increases in grant revenues earned during the year.

Highland City's governmental funds reported combined ending fund balances at June 30, 2025 of $14,571,345, a decrease of $3,171,238. At June 30, 2025 unrestricted fund balance of the general fund was $4,581,251, or 41.1% of total general fund expenditures for the year, and 34.7% of the total general fund revenues, which is within the unrestricted general fund balance limitation of 35% required the Utah State Code.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Highland City's basic financial statements. Highland City's basic financial statements comprise three components; 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. The statements consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of Highland City's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Increases or decreases over time in net position gives an indicator as to whether the financial condition of the City is improving or declining.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. 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, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., debt interest payment when the fiscal year ends between interest payments).

Both of the government-wide financial statements distinguish functions of Highland 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 their costs through user fees and charges (business-type activities). The governmental activities of Highland City include general government, public safety, streets and public improvements, parks and recreation, cemetery, and garbage. The business-type activities of Highland City include services for water, pressurized irrigation, sewer (sanitary), and storm sewer.

The government-wide financial statements include Highland City (known as the primary government) and a separate legal entity (known as component unit). The financial information for the Highland Open Space Special Service District is included in the financial statements. However, because the City's governing body is the same as the governing board of this component unit and can substantially control it, their financial information is blended and reported together with the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Highland City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of Highland City can be divided into two categories; governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Highland City maintains thirteen (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, road fee special revenue fund, capital projects – parks, and capital projects – roads, and capital projects – buildings funds which are considered to be major funds. Data from the other nine (8) governmental funds is provided in the form of individual and combining statements elsewhere in this report.

Highland City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the approved budget amounts.

Proprietary funds

Highland City maintains two types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, pressurized irrigation, sewer, and storm sewer. A few years ago, the City created the internal service fund to account for IT services purchased and used throughout the City's departments and funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, secondary water and storm sewer, and include a separate column for the internal service fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with nonmajor governmental funds. They are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position is an indicator of a government's financial position. In the case of Highland City, assets and deferred outflows exceeded liabilities and deferred inflows by $175,945,767 at the close of the fiscal year. The largest portion (84.0%) of the City's net position reflects its investment in capital assets (land, buildings, machinery and equipment) and infrastructure (roads, sidewalks, curb and gutter and various utility lines and storage facilities); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position for the government as a whole.

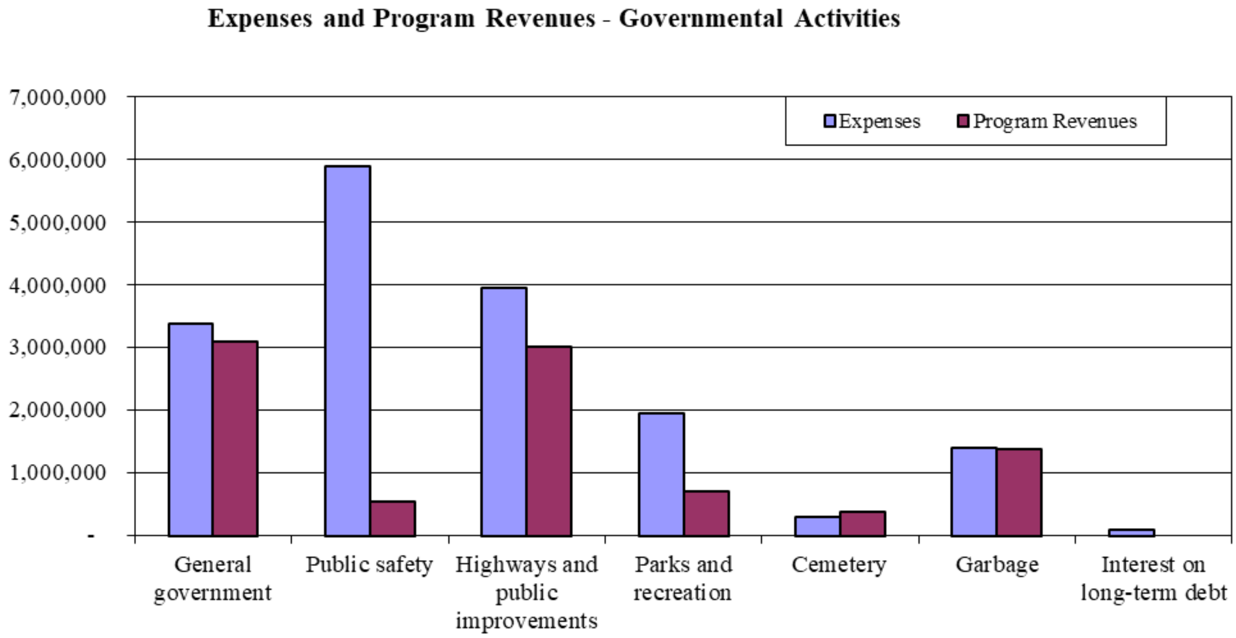
	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Current and other assets	$ 21,353,470	$ 23,723,950	$ 15,135,136	$ 15,303,498	$ 36,488,606	$ 39,027,448
Capital assets	79,020,719	74,652,879	72,515,561	68,176,421	151,536,280	142,829,300
Total Assets	100,374,189	98,376,829	87,650,697	83,479,919	188,024,886	181,856,748
Deferred outflows of resources	500,802	485,798	301,650	268,490	802,452	754,288
Total Assets and Deferred Outflows	$100,874,991	$ 98,862,627	$ 87,952,347	$ 83,748,409	$188,827,338	$182,611,036
Current and other liabilities	$ 4,272,744	$ 3,519,710	$ 1,184,244	$ 1,195,381	$ 5,456,988	$ 4,715,091
Long-term liabilities	3,423,353	4,185,593	1,455,297	1,485,451	4,878,650	5,671,044
Total Liabilities	7,696,097	7,705,303	2,639,541	2,680,832	10,335,638	10,386,135
Deferred inflows of resources	2,541,294	2,488,557	4,639	838	2,545,933	2,489,395
Net Position:						
Net investment in capital assets	76,291,075	71,061,379	71,413,719	66,949,732	147,704,794	138,011,111
Restricted	1,900,932	1,825,761	33,480	430,646	1,934,412	2,256,407
Unrestricted	12,445,593	15,781,627	13,860,968	13,686,361	26,306,561	29,467,988
Total Net Position	90,637,600	88,668,767	85,308,167	81,066,739	175,945,767	169,735,506
Total Liabilities, deferred inflows of Resources, and Net Position	$100,874,991	$ 98,862,627	$ 87,952,347	$ 83,748,409	$188,827,338	$182,611,036

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Revenues:						
Program revenues:						
Charges for services	$ 6,112,928	$ 6,602,009	$ 8,120,025	$ 8,003,334	$ 14,232,953	$ 14,605,343
Operating grants and contributions	1,631,143	1,173,520	-	-	1,631,143	1,173,520
Capital grants and contributions	1,351,159	1,978,978	3,686,928	4,689,914	5,038,087	6,668,892
General revenues:						
Property and uniform vehicle taxes	2,958,729	2,834,751	-	-	2,958,729	2,834,751
Other Taxes	6,006,388	5,760,132	-	-	6,006,388	5,760,132
Other	756,421	884,760	597,855	666,648	1,354,276	1,551,408
Gain (Loss) on dispoal of assets	23,384	396,701	19,323	7,506	42,707	404,207
Total Revenues	18,840,152	19,630,851	12,424,131	13,367,402	31,264,283	32,998,253
Expenses:						
General government	3,383,215	2,669,869	-	-	3,383,215	2,669,869
Public safety	5,902,264	5,503,369	-	-	5,902,264	5,503,369
Streets and public improvements	3,953,072	4,530,779	-	-	3,953,072	4,530,779
Parks and recreation	1,945,256	2,099,916	-	-	1,945,256	2,099,916
Cemetery	304,590	264,566	-	-	304,590	264,566
Garbage	1,404,754	1,384,563	-	-	1,404,754	1,384,563
Interest on long-term debt	86,168	102,905	-	-	86,168	102,905
Water	-	-	1,990,389	1,712,782	1,990,389	1,712,782
Pressurized irrigation	-	-	2,262,469	1,730,368	2,262,469	1,730,368
Storm sewer	-	-	801,586	785,833	801,586	785,833
Sewer	-	-	3,020,259	2,398,255	3,020,259	2,398,255
Total Expenses	16,979,319	16,555,967	8,074,703	6,627,238	25,054,022	23,183,205
Increase (Decrease) in net position before transfers	1,860,833	3,074,884	4,349,428	6,740,164	6,210,261	9,815,048
Transfers	108,000	108,000	(108,000)	(108,000)	-	-
Increase (Decrease) in Net Position	1,968,833	3,182,884	4,241,428	6,632,164	6,210,261	9,815,048
Net Position - Beginning	88,668,767	85,485,883	81,066,739	74,434,575	169,735,506	159,920,458
Net Position - Ending	$ 90,637,600	$ 88,668,767	$ 85,308,167	$ 81,066,739	$175,945,767	$169,735,506

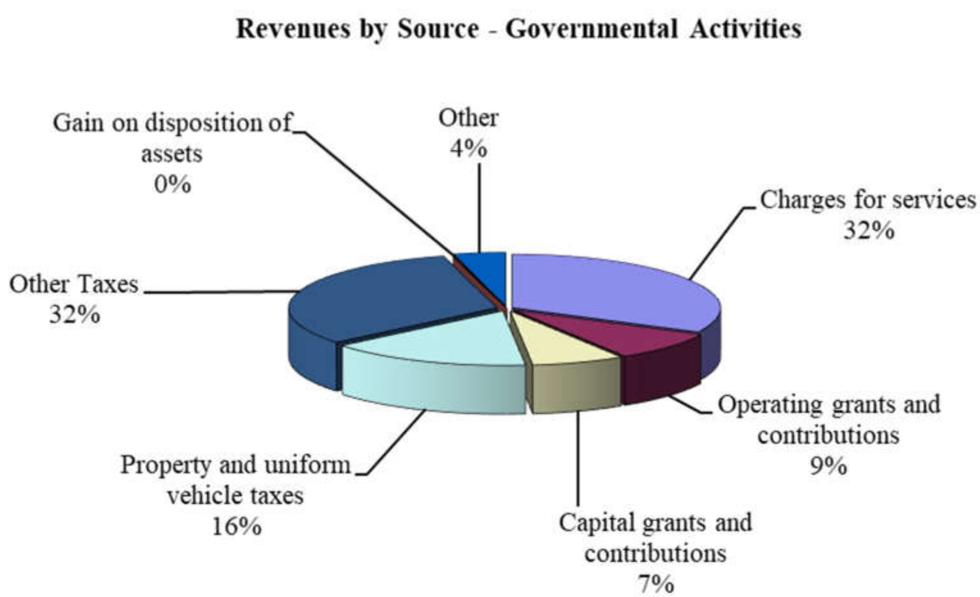
Governmental activities. As noted in the table above, governmental activities increased the City's net position by $1,968,833. The key element of the increase was assets contributed by developers, and capital and operating grants. Some increases in property and sales tax revenues, also contributed to the overall increase.

Business-type activities. As noted in the table above, business-type activities increased the City's net position by $4,241,428. The key elements of the increase from the prior year were increases in grant funds earned related to the water and pressurized irrigation funds, charges for services, and conservative spending.

The following chart displays the governmental activities program revenues compared to expenses attributed to the activity.

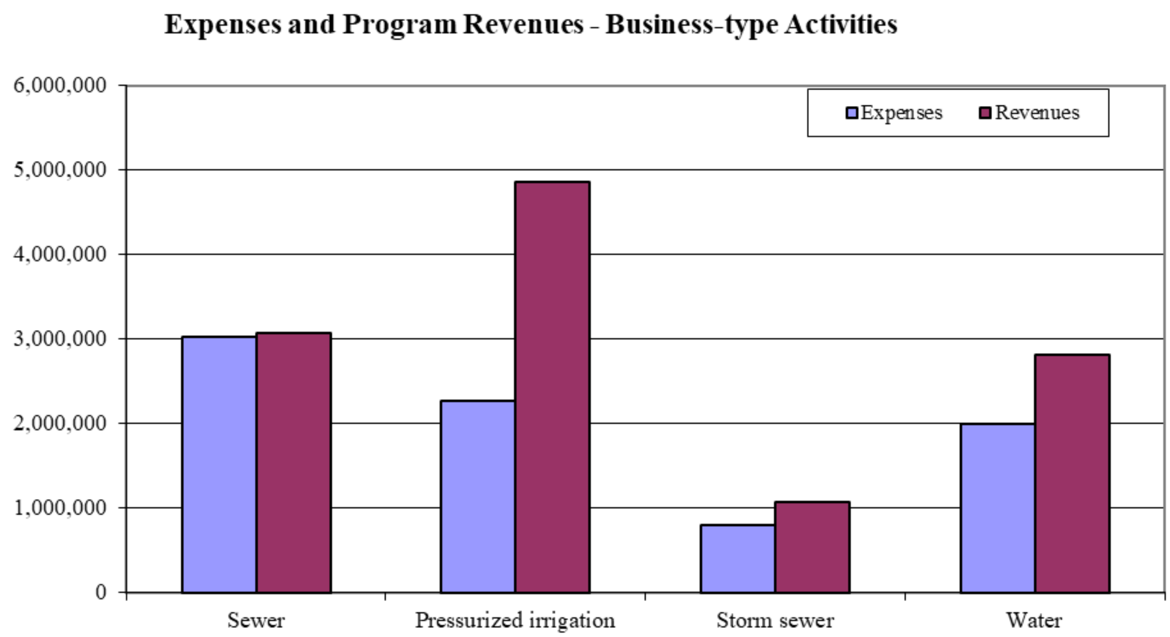


The following chart displays the governmental activities program revenues by type.

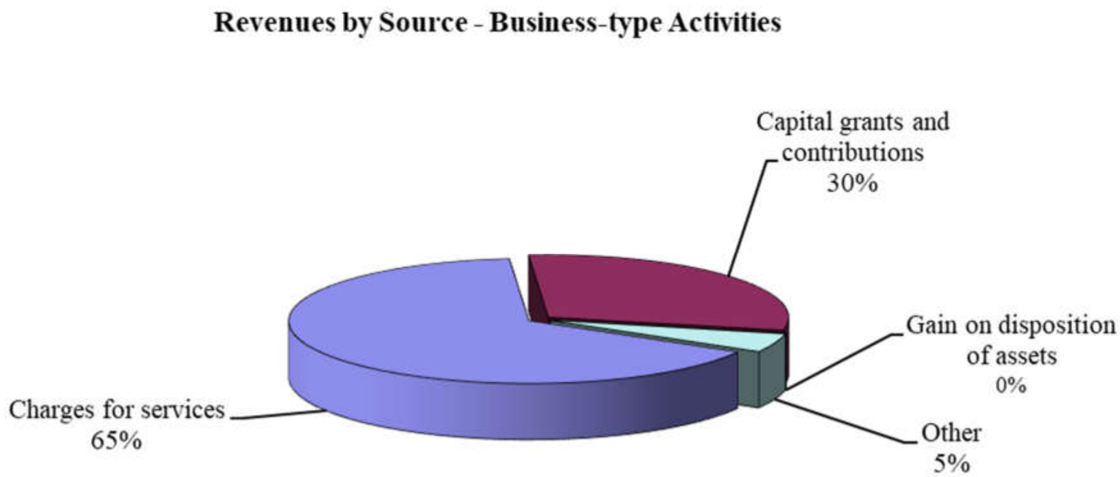


Business-type Activities

The following chart displays the business-type activities revenues compared to program expenses attributed to the activity. Traditionally business-type activities are self-supporting and the chart depicts the relationship of revenues to expenses.



The following chart displays the business-type activities revenues by type.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental 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. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2025, the City's governmental funds reported combined ending fund balances of $14,571,895, which was a decrease of $3,171,238 from the prior year. This decrease is primarily due to capital outlay costs of $6,214,430 within the governmental funds.

The general fund is the main operating fund of the City. At June 30, 2025, unrestricted fund balance of the general fund was $4,171,345. A comparison of the unrestricted fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unrestricted fund balance represented 41.1% of total general fund expenditures. Unrestricted fund balance also represented 34.7% of the general fund revenues, which is within the unrestricted general fund balance limitation of 35% required by the Utah State Code.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in more detail.

Sewer fund-Unrestricted net position at June 30, 2025 amounted to $4,072,440, which is an increase of $392,680 from the previous year. Operating revenues were $2,884,352 compared to the prior year's $2,553,633 due to increases in charges for services. Operating expenses were $3,020,247 compared to the prior year expenses of $2,397,971 due to more revenue from charges for services, and increases in capital contributions to the fund.

Pressurized Irrigation fund-Unrestricted net position at June 30, 2025 amounted to $5,023,956, a decrease of $1,517,662 from the previous year. Operating revenues were $3,072,385, compared to the prior year's $2,619,030. Operating expenses were $2,262,454, an increase from last year's $1,696,637 largely due to more uncapitalized repair and maintenance costs than the prior year.

Culinary Water Fund-Unrestricted net position at June 30, 2025 amounted to $2,113,889 an increase of $950,420 from the previous year. Operating revenues were $1,948,902, a decrease from the prior year's $1,959,664 operating revenues. Operating expenses were $1,990,374, which was an increase from the prior year's $1,712,433 operating expenses largely due to increases in capital contributions to the fund.

Storm Sewer fund- Unrestricted net position at June 30, 2025 amounted to $2,650,298, an increase of $349,219 from the previous year. Operating revenues were $922,591, a slight decrease from the prior year's $941,896 operating revenues. Operating expenses of $801,578, an increase from the prior year's $785,655 of operating expenses due to decreases in uncapitalized maintenance costs.

IT internal service fund- Unrestricted net position at June 30, 2025 amounted to $1,676 an increase of $342 from the prior year. Operating revenues were $54,853, a slight increase from the prior year's $49,142. Operating expenses of $54,511 a slight decrease from the prior year's $55,921 of operating expenses.

General Fund Budgetary Highlights

During the fiscal year, the general funds original budgeted expenditures was amended from $11,557,965 to a final budget total of $11,745,924, largely as the result of anticipated increases of General Government expenditures and Public Safety expenditures. The City's general fund came in $600,439 under the final amended budget.

Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2025 was $151,536,280 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and water stock. The total increase in the City's investment in capital assets for the current year was $8,706,980, which is primarily as a result of assets contributed form developers and other capital projects undertaken or continued during the year related to parks, water lines, and pressurized irrigation meters.

A summary of the City's capital assets by category are shown in the table below.

Highland City's Capital Assets

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Land	$ 37,770,148	$ 37,595,985	$ 684,618	$ 534,455	$ 38,454,766	$ 38,130,440
Buildings	15,105,724	15,087,225	1,157,289	1,157,289	16,263,013	16,244,514
Improvements other than buildings	86,158,833	85,375,867	61,408,358	57,005,141	147,567,191	142,381,008
Machinery and equipment	3,997,850	3,657,476	3,644,288	3,301,728	7,642,138	6,959,204
Construction in progress	14,510,370	8,885,256	10,965,168	9,388,809	25,475,538	18,274,065
Water shares	-	-	24,218,106	24,218,106	24,218,106	24,218,106
Total	157,542,925	150,601,809	102,077,827	95,605,528	259,620,752	246,207,337
Less accumulated depreciation	(78,522,206)	(75,948,930)	(29,562,266)	(27,429,107)	(108,084,472)	(103,378,037)
Total Capital Assets, net	$ 79,020,719	$ 74,652,879	$ 72,515,561	$ 68,176,421	$151,536,280	$142,829,300

Additional information on the City's capital assets is available in Note 6 to the financial statements.

Long-term debt. On June 30, 2024 the City had total bonded debt outstanding of $2,801,000.

Highland City's Outstanding Debt

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Revenue bonds	$ 2,801,000	$ 3,695,000	$ -	$ -	$ 2,801,000	$ 3,695,000
Notes payable	-	-	1,101,842	1,226,689	1,101,842	1,226,689
Compensated absences	301,179	286,665	127,575	115,340	428,754	402,005
Total	$ 3,102,179	$ 3,981,665	$ 1,229,417	$ 1,342,029	$ 4,331,596	$ 5,323,694

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value of $3,235,869,003, except cities of the fourth class (Highland City is classified as a fourth class city) may issue debt up to an additional 8% of its total taxable property value for water systems, artificial lighting systems or sewer systems. On June 30, 2025 the City's limitation was $129,434,760 and the additional limitation was $258,869,520. The City does not have any general obligation bonds outstanding at June 30, 2025.

Additional information about the City's long-term debt is available in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2025-2026 budget and rates are based on the forecast that the Utah economy will continue to experience growth and some inflation. Sales tax revenues are budgeted conservatively to remain flat, however, population in the area continues to grow and consumer activity remains strong. Permit and fee revenues are expected to continue to decrease in the coming year as current large development projects near completion. Expenditures overall have been budgeted to increase due to inflation being experienced throughout the area.

Request for Information

This financial report is designed to provide a general overview of Highland City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Highland City, Finance Director, 5400 W. Civic Center Drive, Suite #1, Highland, Utah 84003.

BASIC FINANCIAL STATEMENTS

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 13,335,819	$ 14,077,051	$ 27,412,870
Receivables:			
Accounts	68,167	41,082	109,249
Taxes	3,594,222	-	3,594,222
Due from other governments	228,487	852,728	1,081,215
Lease receivable	72,063	-	72,063
Notes receivable	-	130,410	130,410
Internal Balances	(385)	385	-
Prepaid expenses	46,117	-	46,117
Restricted amounts:			
Cash and cash equivalents	3,971,162	33,480	4,004,642
Receivable - Arts & Zoo	37,818	-	37,818
Capital Assets:			
Non-depreciable Capital Assets	52,280,518	35,867,892	88,148,410
Depreciable Capital Assets (net)	26,740,201	36,647,669	63,387,870
Total Assets	100,374,189	87,650,697	188,024,886
Deferred Outflows of Resources			
Deferred loss on refunding	71,356	-	71,356
Deferred outflows relating to pensions	429,446	301,650	731,096
Total Deferred Outflows of Resources	500,802	301,650	802,452
Total Assets and Deferred Outflows of Resources	$ 100,874,991	$ 87,952,347	$ 188,827,338
Liabilities:			
Accounts payable	$ 1,793,516	$ 1,025,680	$ 2,819,196
Accrued liabilities	120,430	43,795	164,225
Retainage payable	238,522		238,522
Accrued interest payable	26,396	5,358	31,754
Developer and customer deposits	2,033,648	1,172	2,034,820
Unearned revenues	26,376	108,239	134,615
Payable from restricted assets	33,856	-	33,856
Noncurrent Liabilities:			
Due within one year	1,068,732	173,144	1,241,876
Due in more than one year	2,033,447	1,056,273	3,089,720
Net pension liability	321,174	225,880	547,054
Total Liabilities	7,696,097	2,639,541	10,335,638
Deferred Inflows of Resources			
Unearned property tax revenue	2,461,873	-	2,461,873
Deferred inflows relating to pensions	7,358	4,639	11,997
Deferred inflows relating to lease receivables	72,063	-	72,063
Total Deferred Inflows of Resources	2,541,294	4,639	2,545,933
Total Liabilities and Deferred Inflows of Resources	10,237,391	2,644,180	12,881,571
Net Position:			
Net investment in capital assets	76,291,075	71,413,719	147,704,794
Restricted for:			
Debt Service	-	33,480	33,480
Impact fees	672,487	-	672,487
RAP/Zoo/Arts	458,741	-	458,741
Development fees	763,388	-	763,388
Open space	6,316	-	6,316
Unrestricted	12,445,593	13,860,968	26,306,561
Total Net Position	90,637,600	85,308,167	175,945,767
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 100,874,991	$ 87,952,347	$ 188,827,338

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities:							
General government	$ 3,383,215	$ 2,776,834	$ 314,839	$ -	$ (291,542)	$ -	$ (291,542)
Public safety	5,902,264	274,346	179,162	87,780	(5,360,976)	-	(5,360,976)
Streets and public works	3,953,072	1,253,131	1,137,142	617,086	(945,713)	-	(945,713)
Parks and recreation	1,945,256	65,518	-	646,293	(1,233,445)	-	(1,233,445)
Cemetery	304,590	368,292	-	-	63,702	-	63,702
Garbage	1,404,754	1,374,807	-	-	(29,947)	-	(29,947)
Interest on long term debt	86,168	-	-	-	(86,168)	-	(86,168)
Total Governmental Activities	16,979,319	6,112,928	1,631,143	1,351,159	(7,884,089)	-	(7,884,089)
Business-type Activities:							
Sewer	3,020,259	2,696,561	-	375,517	-	51,819	51,819
Pressurized irrigation	2,262,469	2,656,830	-	2,196,256	-	2,590,617	2,590,617
Storm sewer	801,586	903,268	-	161,514	-	263,196	263,196
Water	1,990,389	1,863,366	-	953,641	-	826,618	826,618
Total Business-type Activities	8,074,703	8,120,025	-	3,686,928	-	3,732,250	3,732,250
Total Government	$ 25,054,022	$ 14,232,953	$ 1,631,143	$ 5,038,087	(7,884,089)	3,732,250	(4,151,839)
		General Revenues:					
		Taxes:					
		Property			2,819,391	-	2,819,391
		Vehicle			139,338	-	139,338
		Sales			4,664,217	-	4,664,217
		Franchise			1,342,171	-	1,342,171
		Unrestricted investment earnings			743,671	597,855	1,341,526
		Gain (Loss) on disposal of assets			23,384	19,323	42,707
		Miscellaneous			12,750	-	12,750
		Transfers			108,000	(108,000)	-
		Total General Revenues			9,852,922	509,178	10,362,100
		Changes in Net Position			1,968,833	4,241,428	6,210,261
		Net Position, Beginning			88,668,767	81,066,739	169,735,506
		Net Position, Ending			$ 90,637,600	$ 85,308,167	$ 175,945,767

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	*Formerly Nonmajor* Capital Projects - Buildings	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents	$ 3,799,783	$ 936,199	$ 3,613,925	$ 2,093,992	$ 2,578,039	$ 311,991	$ 13,333,929
Receivables:							
Accounts	60,783	6,307	-	-	-	1,077	68,167
Taxes	3,267,982	-	-	-	-	326,240	3,594,222
Notes	72,063	-	-	-	-	-	72,063
Prepaid expenses	46,117	-	-	-	-	-	46,117
Restricted amounts:							
Cash and cash equivalents	2,060,024	-	-	671,813	674	1,238,651	3,971,162
Receivable - Arts & Zoo	-	-	-	-	-	37,818	37,818
Total Assets	$ 9,535,239	$ 942,506	$ 3,613,925	$ 2,765,805	$ 2,578,713	$ 1,915,777	$ 21,351,965
Liabilities:							
Accounts payable	$ 539,355	$ 325,494	$ 185,302	$ 330,771	$ 358,313	$ 54,067	$ 1,793,302
Accrued liabilities	97,261	1,695	-	-	-	21,474	120,430
Retainage payable	-	-	124,847	-	113,675	-	238,522
Developer bonds - payable from restricted	2,033,648	-	-	-	-	-	2,033,648
Unearned revenue	26,376	-	-	-	-	-	26,376
Payable from restricted assets	-	-	-	-	-	33,856	33,856
Total Liabilities	2,696,640	327,189	310,149	330,771	471,988	109,397	4,246,134
Deferred Inflows of Resources							
Unearned property tax revenue	2,139,168	-	-	-	-	322,705	2,461,873
Notes receivable	72,063	-	-	-	-	-	72,063
Total Deferred Inflows of Resources	2,211,231	-	-	-	-	322,705	2,533,936
Fund Balances:							
Nonspendable:							
Prepaid expenses	46,117	-	-	-	-	-	46,117
Restricted for:							
Impact fees	-	-	-	671,813	674	-	672,487
RAP/Zoo/Arts	-	-	-	-	-	458,741	458,741
Development fees	-	-	-	-	-	763,388	763,388
Assigned to:							
Cemetery	-	-	-	-	-	137,590	137,590
Library	-	-	-	-	-	91,746	91,746
Debt service	-	-	-	-	-	17,448	17,448
Capital projects & open space funds	-	615,317	3,303,776	1,763,221	2,106,051	14,762	7,803,127
Unassigned	4,581,251	-	-	-	-	-	4,581,251
Total Fund Balances	4,627,368	615,317	3,303,776	2,435,034	2,106,725	1,483,675	14,571,895
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 9,535,239	$ 942,506	$ 3,613,925	$ 2,765,805	$ 2,578,713	$ 1,915,777	$ 21,351,965

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

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

Total Fund Balances - Governmental Funds	$	14,571,895
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		79,020,719
Deferred loss on refunding of debt is not a financial resource, and therefore, is not reported in the funds.		71,356
Interest expense is not due and payable in the current period and therefore is not recorded in the funds.		(26,396)
Net pension assets, net pension liabilities, Deferred outflows of resources and deferred inflows of resources related to pensions are not current financial resources, and therefore, are not reported in the governmental funds.		100,914
Long-term liabilities, including bonds, leases, and notes are not due and payable in the current period and therefore, are not reported in the funds.		(3,102,179)
Intnernal service funds are used by management to charge the cost of IT services to to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		1,291
Total Net Position - Governmental Activities	$	90,637,600

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

	General Fund	Special Revenue Road Fee	Capital Projects - Parks	Capital Projects - Roads	*Formerly Nonmajor* Capital Projects - Buildings	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 8,404,132	$ -	$ -	$ -	$ -	$ 560,985	$ 8,965,117
Licenses and permits	45,763	-	-	-	-	870,142	915,905
Intergovernmental	1,316,304	-	37,699	-	-	-	1,354,003
Impact fees	-	-	504,793	89,066	87,780	-	681,639
Charges for services	2,976,616	1,222,281	-	-	-	410,240	4,609,137
Fines and forfeitures	274,346	-	-	-	-	18,736	293,082
Contributions from other governments	-	-	261,000	47,184	-	16,140	324,324
Interest	188,444	56,141	222,308	73,942	137,252	102,234	780,321
Miscellaneous	12,072	-	-	-	-	-	12,072
Total Revenues	13,217,677	1,278,422	1,025,800	210,192	225,032	1,978,477	17,935,600
Expenditures:							
Current:							
General government	1,305,412	-	-	-	-	1,532,236	2,837,648
Public safety	5,736,190	-	-	-	111	-	5,736,301
Streets and public works	780,560	1,021,970	-	344,072	-	-	2,146,602
Parks and recreation	1,592,495	-	10,645	-	97,621	-	1,700,761
Cemetery	-	-	-	-	-	249,308	249,308
Garbage	1,403,048	-	-	-	-	-	1,403,048
Capital outlay	327,780	-	3,432,120	282,990	2,098,431	73,109	6,214,430
Debt service:							
Principal	-	-	-	-	-	894,000	894,000
Interest	-	-	2,100	-	1,500	52,524	56,124
Total Expenditures	11,145,485	1,021,970	3,444,865	627,062	2,197,663	2,801,177	21,238,222
Excess (deficiency) of revenues over (under) expenditures	2,072,192	256,452	(2,419,065)	(416,870)	(1,972,631)	(822,700)	(3,302,622)
Other Financing Sources (Uses):							
Sale of capital assets	14,352	-	9,032	-	-	-	23,384
Transfers in	253,902	-	70,000	1,430,000	321,542	951,257	3,026,701
Transfers out	(2,185,023)	-	(517,776)	-	(70,000)	(145,902)	(2,918,701)
Total Other Financing Sources (Uses)	(1,916,769)	-	(438,744)	1,430,000	251,542	805,355	131,384
Net Change in Fund Balances	155,423	256,452	(2,857,809)	1,013,130	(1,721,089)	(17,345)	(3,171,238)
Fund Balances, Beginning, as previuosly presented	4,471,945	358,865	6,161,585	1,421,904	-	5,328,834	17,743,133
Change within financial reporting entity	-	-	-	-	3,827,814	(3,827,814)	-
Fund Balances, Beginning, as adjusted	4,471,945	358,865	6,161,585	1,421,904	3,827,814	1,501,020	17,743,133
Fund Balances, Ending	$ 4,627,368	$ 615,317	$ 3,303,776	$ 2,435,034	$ 2,106,725	$ 1,483,675	$ 14,571,895

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds	$ (3,171,238)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	6,364,427
Depreciation expense	(2,618,923)
Contributed assets are not recorded in governmental funds due to no current resources being expended in the acquisition of such assets. The Statement of Activities will record these contributed assets at their estimated fair value on the date of contribution.	622,336
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Position. Repayments of bond principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Position.	
Payment of bond principal	894,000
Pension expense resulting from the changes in net pension assets, net pension liabilities, deferred outflows relating to pensions, and deferred inflows relating to pensions are not the use of current financial resources, and therefore, are not reported in the governmental funds.	(75,502)
Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. This adjustment reflects the changes due to accrued interest on bonds payable, amortization of the deferred loss on bond refunding, and change in compensated absences.	
Amortization of deferred loss	(32,144)
Compensated absences	(14,514)
Intnernal service funds are used by management to charge the cost of IT services to to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	391
Changes in net position of governmental activities	$ 1,968,833

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Pressurized Irrigation	Culinary Water	Storm Sewer	Total	IT Internal Service
Assets:						
Current Assets:						
Cash and cash equivalents	$ 4,308,379	$ 4,977,106	$ 2,063,380	$ 2,728,186	$ 14,077,051	$ 1,890
Restricted cash and cash equivalents	-	33,480	-	-	33,480	-
Accounts receivable	16,579	6,529	13,892	4,082	41,082	-
Intergovernmental receivable	-	686,453	166,275	-	852,728	-
Total Current Assets	4,324,958	5,703,568	2,243,547	2,732,268	15,004,341	1,890
Noncurrent Assets:						
Note receivables	-	130,410	-	-	130,410	-
Capital assets:						
Nondepreciable						
Water shares	-	22,580,257	1,637,849	-	24,218,106	-
Land	26,540	427,613	107,132	123,333	684,618	-
Construction in process	163,187	10,674,066	127,915	-	10,965,168	-
Depreciable						
Buildings	-	663,667	493,622	-	1,157,289	-
Infrastructure	17,089,323	18,269,941	18,586,791	7,462,303	61,408,358	-
Machinery and equipment	674,344	625,448	1,885,814	458,682	3,644,288	-
Less accumulated depreciation	(8,087,268)	(9,780,996)	(8,700,828)	(2,993,174)	(29,562,266)	-
Total Noncurrent Assets	9,866,126	43,590,406	14,138,295	5,051,144	72,645,971	-
Total Assets	14,191,084	49,293,974	16,381,842	7,783,412	87,650,312	1,890
Deferred Outflows of Resources						
Deferred outflows relating to pensions	83,194	66,506	87,271	64,679	301,650	-
Liabilities:						
Current Liabilities:						
Accounts payable	$ 251,700	$ 620,404	$ 81,704	$ 71,872	$ 1,025,680	$ 214
Accrued liabilities	3,844	5,426	30,728	3,797	43,795	-
Accrued interest payable	-	5,358	-	-	5,358	-
Developer and customer deposits	-	-	1,172	-	1,172	-
Unearned revenue	-	108,239	-	-	108,239	-
Compensated absences	14,619	18,777	21,570	14,497	69,463	-
Notes payable	-	103,681	-	-	103,681	-
Total Current Liabilities	270,163	861,885	135,174	90,166	1,357,388	214
Noncurrent Liabilities:						
Compensated absences	9,688	23,254	13,336	11,834	58,112	-
Notes payable	-	998,161	-	-	998,161	-
Net pension liability	54,705	60,353	67,058	43,764	225,880	-
Total Noncurrent Liabilities	64,393	1,081,768	80,394	55,598	1,282,153	-
Total Liabilities	334,556	1,943,653	215,568	145,764	2,639,541	214
Deferred Inflows of Resources						
Deferred inflows relating to pensions	1,156	1,237	1,361	885	4,639	-
Net Position:						
Net investment in capital assets	9,866,126	42,358,154	14,138,295	5,051,144	71,413,719	-
Restricted:						
Debt service	-	33,480	-	-	33,480	-
Unrestricted	4,072,440	5,023,956	2,113,889	2,650,298	13,860,583	1,676
Total Net Position	$ 13,938,566	$ 47,415,590	$ 16,252,184	$ 7,701,442	85,307,782	$ 1,676
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time					385	
Net position of business-type activities					$ 85,308,167	

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Pressurized Irrigation	Culinary Water	Storm Sewer	Total	IT Internal Service
Operating Revenues:						
Charges for services	$ 2,696,561	$ 2,656,830	$ 1,807,318	$ 903,268	$ 8,063,977	$ 54,175
Connection fees	-	-	47,373	-	47,373	-
Miscellaneous	-	-	55,897	19,323	75,220	678
Total Operating Revenues	2,696,561	2,656,830	1,910,588	922,591	8,186,570	54,853
Operating Expenses:						
Salaries and benefits	276,315	424,671	410,769	262,497	1,374,252	-
Operations	2,085,365	1,262,015	957,607	239,471	4,544,458	54,511
Depreciation	658,567	559,543	621,998	299,610	2,139,718	-
Total Operating Expenses	3,020,247	2,246,229	1,990,374	801,578	8,058,428	54,511
Operating Income (Loss)	(323,686)	410,601	(79,786)	121,013	128,142	342
Nonoperating Revenues (Expenses):						
Impact fees	187,791	415,555	38,314	-	641,660	-
Grant revenue	-	1,609,659	614,342	-	2,224,001	-
Interest income	180,783	225,254	84,404	107,414	597,855	-
Interest expense	-	(16,225)	-	-	(16,225)	-
Total Nonoperating Revenues (Expenses)	368,574	2,234,243	737,060	107,414	3,447,291	-
Income (Loss) Before Contributions and transfers	44,888	2,644,844	657,274	228,427	3,575,433	342
Capital Contributions	187,726	171,042	292,077	123,200	774,045	-
Transfers out	-	(108,000)	-	-	(108,000)	-
Changes in Net Position	232,614	2,707,886	949,351	351,627	4,241,478	342
Net Position, Beginning	13,705,952	44,707,704	15,302,833	7,349,815		1,334
Net Position, Ending	$ 13,938,566	$ 47,415,590	$ 16,252,184	$ 7,701,442		$ 1,676

Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds.	(50)
Changes in net position of business-type activities	$ 4,241,428

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewer	Pressurized Irrigation	Water	Storm Sewer	Total	IT Internal Service
Cash Flows From Operating Activities:						
Cash received from customers	$ 2,692,564	$ 2,697,477	$ 1,908,955	$ 921,637	$ 8,220,633	$ -
Cash receipts from interfund services provided	-	-	-	-	-	54,853
Cash payments to suppliers for goods and services	(2,122,055)	(1,174,529)	(1,112,968)	(183,715)	(4,593,267)	(72,931)
Cash payments to employees	(260,283)	(400,342)	(367,139)	(251,987)	(1,279,751)	-
Net cash provided (used) by operating activities	310,226	1,122,606	428,848	485,935	2,347,615	(18,078)
Cash Flows From Non-Capital Financing Activities:						
Transfers to other funds	-	(108,000)	-	-	(108,000)	-
Net cash provided (used) by non-capital financing activities	-	(108,000)	-	-	(108,000)	-
Cash Flows From Capital and Related Financing Activities:						
Principal payments on bonds and notes payable	-	(124,847)	-	-	(124,847)	-
Capital grants	-	2,630,049	354,855	-	2,984,904	-
Interest and fees paid on bonds and notes payable	-	(23,919)	-	-	(23,919)	-
Receipt of impact fees	187,791	415,555	38,314	-	641,660	-
Purchase of capital assets	(310,775)	(4,515,991)	(699,229)	(178,818)	(5,704,813)	-
Net cash provided (used) by capital and related financing activities	(122,984)	(1,619,153)	(306,060)	(178,818)	(2,227,015)	-
Cash Flows From Investing Activities:						
Interest on investments	180,783	225,254	84,404	107,414	597,855	-
Net cash provided (used) by investing activities	180,783	225,254	84,404	107,414	597,855	-
Net Increase (Decrease) In Cash	368,025	(379,293)	207,192	414,531	610,455	(18,078)
Cash at Beginning of Year	3,940,354	5,389,879	1,856,188	2,313,655	13,500,076	19,968
Cash at End of Year	$ 4,308,379	$ 5,010,586	$ 2,063,380	$ 2,728,186	$ 14,110,531	$ 1,890
As reported on the Statement of Net Position:						
Cash and cash equivalents	$ 4,308,379	$ 4,977,106	$ 2,063,380	$ 2,728,186	$ 14,077,051	$ 1,890
Restricted cash and cash equivalents	-	33,480	-	-	33,480	-
Total Cash at End of Year	$ 4,308,379	$ 5,010,586	$ 2,063,380	$ 2,728,186	$ 14,110,531	$ 1,890
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	$ (323,686)	$ 410,601	$ (79,786)	$ 121,013	$ 128,142	$ 342
Adjustments to reconcile operating income (loss) to net cash from (used) by operating activities:						
Depreciation	658,567	559,543	621,998	299,610	2,139,718	-
(Increase) decrease in assets:						
Accounts receivable	(3,997)	(1,516)	(2,805)	(954)	(9,272)	-
Note receivable	-	42,163	-	-	42,163	-
Deferred outflows relating to pensions	(8,031)	(8,860)	(9,844)	(6,425)	(33,160)	-
Increase (decrease) in liabilities:						
Accounts payable	(36,690)	87,486	(155,361)	55,756	(48,809)	(18,420)
Accrued liabilities	1,789	498	26,263	617	29,167	-
Developer and customer deposits	-	-	1,172	-	1,172	-
Compensated absences	1,383	9,643	1,603	(394)	12,235	-
Net pension liability	19,970	22,032	24,480	15,976	82,458	-
Deferred inflows relating to pensions	921	1,016	1,128	736	3,801	-
Net cash provided (used) by operating activities	$ 310,226	$ 1,122,606	$ 428,848	$ 485,935	$ 2,347,615	$ (18,078)
Noncash investing, capital, and financing activities:						
Contributions of capital assets	$ 187,726	$ 171,042	$ 292,077	$ 123,200	$ 774,045	$ -

The notes to the financial statements are an integral part of this statement.

HIGHLAND CITY, UTAH
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highland City, Utah (the City) was incorporated in 1977 and operates under a council-city manager form of government. The governing body consists of five elected council members and a mayor. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager. The City provides the following services: general administrative services, public safety, highway and public works, parks and recreations, cemetery, garbage, and utilities (sewer, pressurized irrigation, storm sewer, and culinary water).

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

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency and accountability. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The Highland City Open Space Special Service District (the District) was established to provide recreation services, including the operation and maintenance of parks, open space and trails within certain areas of the City. The District is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is legally separate entity from the City, the District is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the District. The District is included in these financial statements as a blended component unit and reported as the Open Space Fund. Separate financial statements are not issued for the District.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative services, public safety, highway and public works, parks and recreations, cemetery, and garbage are classified as governmental activities. The City's sewer, pressurized irrigation, storm sewer, and water services are classified as business-type activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

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 City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within 60 days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. Principal sources of revenue are taxes, licenses and permits and intergovernmental revenues. Primary expenses are for general government, public safety, streets and public works, parks and recreation, cemetery and garbage.

The *Road Fee Special Revenue Fund* accounts for the revenues collected from the road fee and expenditures for projects qualifying for use of those funds.

The *Capital Projects – Parks Fund* accounts for the funds set aside for parks projects, including park impact fee revenues.

The *Capital Projects – Roads Fund* accounts for the funds set aside for road projects, including road impact fee revenues.

The *Capital Projects – Buildings Fund* accounts for the funds set aside for building projects, including building impact fee revenues. This fund was previously reported as a nonmajor fund, but qualifies as major for the fiscal year ended June 30, 2025.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the City's sewer treatment operations.

The *Pressurized Irrigation Fund* accounts for the activities of the City's pressurized irrigation distribution system.

The *Water Fund* accounts for the activities of the City's water treatment and distribution.

The *Storm Sewer Fund* accounts for the activities of the City's storm sewer infrastructure and related costs.

Activities of these four funds include administration, operations and maintenance of the sewer, pressurized irrigation, water, and storm sewer systems, and billing and collections. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City reports a single internal service fund.

The *Information Technology (IT) Internal Service Fund* accounts for the City's information technology costs used by the City's various departments and funds.

The effect of interfund activity has generally been eliminated from the government-wide financial statements in accordance with GAAP.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The principal operating revenues of the enterprise funds are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(C) Budgetary Data

Annual budgets are prepared and adopted, in accordance with State law, by the City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Fund, Capital Project Funds, Debt Service Fund, and Enterprise Funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 35% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the total budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. The City Administrator has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source.

(D) Tax Revenues

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget must be done before August 17. All property taxes levied by the City are assessed and collected by Utah County. Taxes are levied as of January 1 and are due November 30; any delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property, and the amount of taxes and penalties bears interest from January 1 until paid. Tax liens are placed on a property on January 1 following the due date of unpaid taxes. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales taxes and telephone franchise taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

Franchise taxes are collected by natural gas, electric utilities, and cable television companies and remitted to the City periodically.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Cash, Cash Equivalents, and Investments

The City considers all cash and investments with original maturities of three months or less to be cash and cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalent accounts and the restricted cash and cash equivalents balances.

Investments consist of accounts at the Utah Public Treasurer's Investment Fund (the State Treasurer's Pool). Investments of the City are stated at cost, which approximates fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

(F) Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the government-wide and proprietary fund financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(G) Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The government reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings and structures	20 to 50
Improvements and infrastructure	10 to 50
Machinery, equipment and vehicles	5 to 15

(H) 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/from other funds" (i.e., the current portion of interfund loans).

Receivables at June 30, 2025, consisted of property tax, franchise tax, sales tax, grants and utility customer accounts (billings for user charged services). Taxes and grants are deemed collectible in full. Receivables for utility charges have an allowance of $24,988.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, 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. Bond premiums and discounts are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(J) Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Employees may accumulate up to 175% of their annual accrual. An employee who is separated from employment may be compensated for all accrued vacation. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 65 days of sick leave. Employees will not be paid for any accumulated sick leave at separation from employment.

(K) Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently reports deferred outflows of resources relating to pensions, and deferred loss on refunding. The deferred outflows relating to pensions are required to be reported as part of implementing GASB 68 *Accounting and Financial reporting for Pensions,* and GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The City reports a deferred loss on refunding as part of the advanced refunding of the 2015 Sales and Franchise Tax Revenue bonds.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items which are reported under this section: deferred property tax revenues, and deferred inflows of resources relating to pensions. Deferred property tax revenue arises only under a modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. These amounts account for property taxes levied on January 1, 2025 for the 2025-2026 fiscal year. The deferred inflows relating to pensions are required to be reported as part of implementing of GASB 68, and GASB 71, as previously mentioned. The City also reports a deferred inflows of resources related to lease receivables, which are required as part of the City's reporting in accordance with GASB 87, *Leases*.

(L) Pensions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Lease Receivable and Related Deferred Inflows of Resources

A lease receivable and related deferred inflow of resources balances are reported for agreements meeting the requirements of GASB 87, *Leases*. The lease receivable will be relieved as payments are collected and the related deferred inflow will be reduced in a similar manner over the lease term. The City currently reports lease receivable and a related deferred inflow of resources related to telecommunications tower lease arrangement.

(N) Fund Balance and Net Position Classification

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

(1) *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(2) *Restricted net position* – consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

(3) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “Net investment in capital assets”.

In accordance with GASB No. 54, the City classifies fund balances in the governmental funds as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned.

(1) *Nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

(2) *Restricted fund balance* classifications are reported as restricted if, (a) externally imposed by creditor, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(3) *Committed fund balance* classification include those funds that can only be used for specific purposed pursuant to constraints imposed by formal action (Ordinances and Resolutions) of the City council, which is government’s highest level of decision making authority.

(4) *Assigned fund balance* classification includes amounts that are constrained by the government’s intent to use the funds for specific purposes, but are neither restricted nor committed, as established by the Finance Director, City Council, or City Administrator. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes. The assigned designation may be reversed by the Finance Director, City Council, or City Administrator.

(5) *Unassigned fund balance* classification is the residual classification for the General Fund or funds with deficit fund balances. This classification represents fund balance that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes within the General Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(N) Fund Balance and Net Position Classification (Continued)

Proprietary Fund balance is classified the same as in the government-wide statements.

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

(O) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Deficit Fund Equity

As of June 30, 2025, none of the City's funds had a deficit fund balance or fund net position.

NOTE 3 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "restricted cash and cash equivalents," which includes cash accounts that are separately held by several of the City's funds.

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

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

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse purchase 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 the 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.

NOTE 3 CASH AND INVESTMENTS (Continued)

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

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

Fair Value of Investments

The City measures 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.

The City's PTIF investment, whose fair value at June 30, 2025 was $30,568,196 was measured as a *Level 2.* The City maintained no other investments during the year.

The City's cash and investments are summarized below:

	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average Years to Maturity (2)
Cash on deposit	$ 1,048,398	$ 909,886	N/A	N/A
Investment (3):				
Utah State Treasurer's Investment Pool	30,568,196	30,507,626	N/A	Less than 1
Total cash and cash equivalents	$ 31,616,594	$ 31,417,512		
Portfolio weighted average maturity				N/A

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.
(2) **Interest Rate Risk** is estimated using the weighted average days to maturity.
(3) All investments are considered cash equivalents on the financial statements.

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

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2025, $798,398 of the City's deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 CASH AND INVESTMENTS (Continued)

Investments

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days.

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, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasurer's Office.

Custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial 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 limiting the credit risks of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poors; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act. The PTIF was unrated as of June 30, 2025.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure by investing mainly in the Utah Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The PTIF's investment maturity is less than 1 year, which is among the required period of availability of the Utah Money Management Act.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

NOTE 4 INTERFUND TRANSFERS

The purpose of the transfers were to provide cash flows and pay operating expenses. Transfers were made among the governmental funds to pay for debt service, and set aside funds for future capital projects. The transfer from the pressurized irrigation fund is to record utilities used by the general fund for watering of parks where funds were not exchanged. The transfers among the funds for the year ended June 30, 2025 were as follows:

	In	Out
Governmental activities		
General fund	$ 253,902	$ 2,185,023
Capital Projects - Parks	70,000	517,776
Capital Projects - Roads	1,430,000	-
Capital Projects - Buildings	321,542	70,000
Nonmajor governmental funds	951,257	145,902
Total governmental activities	3,026,701	2,918,701
Business activities		
Pressurized irrigation	-	108,000
Total business activities	-	108,000
Total Transfers	$ 3,026,701	$ 3,026,701

Transfers made during the year are primarily for re-allocation of resources for capital projects, including the use of restricted grant funds for allowable purposes.

NOTE 5 RESTRICTED ASSETS

Certain assets are restricted to use as follows as of June 30, 2025:

	Restricted Cash and Cash Equivalents	Restricted Receivables	Total Restricted Assets
Governmental activities			
Construction bonds	$ 2,033,648	$ -	2,033,648
Unearned revenues	26,376	-	26,376
Development fees	783,872	-	783,872
Exaction fee	33,856	-	33,856
Impact fees	672,487	-	672,487
RAP/Zoo/Arts	420,923	37,818	458,741
Total governmental activities	3,971,162	37,818	4,008,980
Business-type activities			
Debt service	33,480	-	33,480
Total business-type activities	33,480	-	33,480
Total restricted assets	$ 4,004,642	$ 37,818	$ 4,042,460

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2025
Governmental activities:				
Capital assets, not being depreciated:				
Land and right of way	$37,595,985	$ 174,163	$ -	$37,770,148
Construction in progress	8,885,256	5,625,114	-	14,510,370
Total capital assets, not being depreciated	46,481,241	5,799,277	-	52,280,518
Capital assets, being depreciated:				
Buildings and structures	15,087,225	18,499	-	15,105,724
Improvements and infrastructure	85,375,867	782,966	-	86,158,833
Machinery, equipment and vehicles	3,657,476	386,021	(45,647)	3,997,850
Total capital assets, being depreciated	104,120,568	1,187,486	(45,647)	105,262,407
Less accumulated depreciation for:				
Buildings and structures	(6,193,960)	(406,224)	-	(6,600,184)
Improvements and infrastructure	(67,434,277)	(1,893,556)	-	(69,327,833)
Machinery, equipment and vehicles	(2,320,693)	(319,143)	45,647	(2,594,189)
Total accumulated depreciation	(75,948,930)	(2,618,923)	45,647	(78,522,206)
Total capital assets, net of accumulated depreciation	28,171,638	(1,431,437)	-	26,740,201
Governmental activities capital assets, net	$74,652,879	$ 4,367,840	$ -	$79,020,719

Governmental activities depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 255,717
Public Safety	183,091
Streets and Public Works	1,783,710
Parks and recreation	346,296
Cemetery	50,109
Total depreciation expense - governmental activities	$ 2,618,923

NOTE 6 CAPITAL ASSETS (Continued)

The Business-type activities property, plant and equipment consist of the following at June 30, 2025:

	Balance June 30, 2024	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2025
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 534,455	$ 150,163	$ -	$ 684,618
Construction in progress	9,388,809	4,769,710	(3,193,351)	10,965,168
Water Shares	24,218,106	-	-	24,218,106
Total capital assets, not being depreciated	34,141,370	4,919,873	(3,193,351)	35,867,892
Capital assets, being depreciated:				
Buildings and structures	1,157,289	-	-	1,157,289
Improvements and infrastructure	57,005,141	4,403,217	-	61,408,358
Machinery, equipment and vehicles	3,301,728	349,119	(6,560)	3,644,287
Total capital assets, being depreciated	61,464,158	4,752,336	(6,560)	66,209,934
Less accumulated depreciation for:				
Buildings and structures	(841,465)	(40,120)	-	(881,585)
Improvements and infrastructure	(24,398,342)	(1,878,650)	-	(26,276,992)
Machinery, equipment and vehicles	(2,189,300)	(220,948)	6,560	(2,403,688)
Total accumulated depreciation	(27,429,107)	(2,139,718)	6,560	(29,562,265)
Total capital assets, net of accumulated depreciation	34,035,051	2,612,618	-	36,647,669
Business-type activities capital assets, net	$68,176,421	$ 7,532,491	$(3,193,351)	$72,515,561

Business–type depreciation expense was charged to functions/programs as follows:

Business-type activities	
Sewer	$ 658,567
Pressurized Irrigation	559,543
Storm Drain	299,610
Water	621,998
Total depreciation expense - business-type activities	$ 2,139,718

NOTE 7 NOTES RECEIVABLE

The City has multiple notes receivable for property owners to pay back the City for irrigation water shares purchased on their behalf. The City bills these property owners monthly and the notes mature as final payments are made. There are no pre-payment penalties, and the notes carry no interest. At June 30, 2025 the balance of these notes receivable were $130,410. The final notes are scheduled to mature in July 2043.

NOTE 8 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

NOTE 9 DEVELOPER AND CUSTOMER DEPOSITS

Developer and customer deposits are principally deposits from customers that are held by the City for water connections or for construction, or other projects until such time for refund is warranted.

NOTE 10 UNEARNED PROPERTY TAXES

In conjunction with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" the City has accrued property tax receivable and unearned property tax revenue in the General Fund and Library Fund in the amounts of $2,139,168, and $322,705, respectively.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Property taxes are levied on October 1, and then are due and payable at November 30. Since the property tax amounts are not expected to be received within 60 days after the year ended June 30, 2025 and are intended to fund operations of fiscal year ending June 30, 2026, the City has recorded both a receivable and deferred inflow of resources of the estimated amount of the total property tax to be levied on October 1, 2025.

NOTE 11 JOINT VENTURE

The City and Alpine City (the Members) entered into an interlocal agreement to create Lone Peak Public Safety District (Lone Peak). Lone Peak was created to provide fire, emergency medical services, and police services. Lone peak is funded by direct payments from the Member cities which is allocated on a population basis. Lone Peak is governed by a Board of Public Safety Commissioners composed of two elected or appointed officials from each of the Member cities.

Audited financial statements for Lone Peak are prepared annually and can be obtained from Lone Peak's finance director, Lone Peak Public Safety District, 5400 W Civic Center Blvd. Suite #1.

A summary of transactions between the City and Lone Peak is shown below:

	2025
Payments to Lone Peak:	
Administrative expenses	$ 250,227
Member payments for	
Police	3,035,196
Fire / EMS	2,405,818
Total payments to Lone Peak	$ 5,691,241
Receipts from Lone Peak:	
Rent of office space	$ 220,783
Reimbursement of employee wages and office supplies used by Lone Peak	161,318
Total receipts from Lone Peak	$ 382,101

NOTE 12 LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2025:

Governmental Activities:	June 30, 2024	Additions	Retirements	June 30, 2025	Due Within One Year
Direct Placement					
Revenue Bonds, Series 2016	$ 2,421,000	$ -	$ (472,000)	$ 1,949,000	$ 479,000
Revenue Bonds, Series 2020	1,274,000	-	(422,000)	852,000	433,000
Total bonds payable	3,695,000	-	(894,000)	2,801,000	912,000
Other long-term liabilities					
Compensated absences	286,665	14,514 *	-	301,179	156,732
Net pension liability	203,928	117,245	-	321,173	-
Total other long-term liabilities	490,593	131,759	-	622,352	156,732
Governmental activities long-term liabilities	$ 4,185,593	$ 131,759	$ (894,000)	$ 3,423,352	$ 1,068,732

* - indicates net increase in compensated absences balance.

Governmental Activities:

Revenue Bonds

Series 2016 Sales and Franchise Tax Revenue Refunding Bonds, original issue of $4,970,000, principal due in annual installments beginning September 2018, interest at 2.095% due in semi-annual installments beginning March 2016, with the final payment due September 2027. The bonds were issued to partially refund the Series 2007 Sales and Franchise Tax Revenue Bonds.	$ 1,949,000
Series 2020 Sales and Franchise Tax Revenue Refunding Bonds, original issue of $2,886,000, principal due in annual installments beginning September 2020, interest at 1.08% due in semi-annual installments beginning September 2020, with the final payment due September 2026. The bonds were issued to refund the Series 2015 Sales and Franchise Tax Revenue Bonds.	852,000
Total Tax Revenue Bonds - Governmental Activities	$ 2,801,000

The advance refunding of the 2015 Sales and Franchise Revenue bonds was done to reduce debt service payments. The refunding resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of $155,164. The deferred loss on refunding of $107,035 is being amortized over the remaining life of the 2020 Sales and Franchise Tax Revenue bonds. At June 30, 2025 $879,000 of the 2015 Sales and Franchise Revenue defeased bonds were outstanding.

All of the City's Sales and Franchise Tax Revenue Bonds (both Governmental and Business-type) are payable solely by a pledge and assignment of their associated revenue sources. Total future sales tax of $2,801,000 has been pledged through 2028. The current revenue recognized during the period for pledged Franchise and Sales Tax Revenue bonds was $5,564,666 compared to principal and interest of $951,256 paid during the year which equals a coverage ratio of 5.85.

The Series 2020 and 2016 Franchise Tax Revenue Refunding bonds contain provisions that in the event of default, the bondholders may force payment of the outstanding bonds whether through legal action or through the appointment of a receiver.

NOTE 12 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2025, are as follows:

Year Ending June 30,	Governmental Activities Sales and Franchise Tax Revenue Bonds Principal	Interest
2026	$ 912,000	$ 45,016
2027	924,000	30,032
2028	965,000	10,108
	$ 2,801,000	$ 85,156

	June 30, 2024	Additions	Retirements	June 30, 2025	Due Within One Year
Business-type Activities:					
Direct Placement					
Notes payable	$ 1,226,689	$ -	$ (124,847)	$ 1,101,842	$ 103,681
Total bonds and notes payable	1,226,689	-	(124,847)	1,101,842	103,681
Other long-term liabilites					
Compensated absences	115,340	12,235 *	-	127,575	69,463
Net pension liability	143,422	82,458	-	225,880	-
Total other long-term liabilities	258,762	94,693	-	353,455	69,463
Business-type activities long-term liabilities	$ 1,485,451	$ 94,693	$ (124,847)	$ 1,455,297	$ 173,144

* - indicates net increase in compensated absences balance.

Notes Payable - Direct Borrowings

Note payable to the Provo River Users Association for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount $615,833, interest at 4.00%, approximately 22% of original principal is due in two equal installments in July 2010 and March 2011 along with accrued interest. Remaining principal and interest to be paid in annual installments beginning March 2012 with final payment due March 2035.	$ 261,169
Assessment payable to the Highland Conservation District for the City's portion of costs relating to the Provo Reservoir Canal Enclosure Project. Original amount $1,563,945, principal and interest at 2.65% due in installments beginning November 2010 with final installment due November 2035.	840,673
Total Notes Payable - Business-type Activities	$ 1,101,842

No remedies for events of default were noted in the agreements for the above notes payables.

NOTE 12 LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for the long-term debt, as of June 30, 2025, are as follows:

Year Ending June 30,	Business-type Activities Notes Payable - Direct Borrowing Principal	Interest
2026	$ 103,681	$ 14,857
2027	105,070	13,469
2028	106,478	12,060
2029	107,909	10,630
2030	109,360	9,178
2031-2035	569,344	23,346
	$ 1,101,842	$ 83,539

During fiscal year 2015, the City defeased $3,970,000 of the 2006 Sales and Franchise Tax revenue bonds by placing new bond proceeds in an irrevocable trust to provide for the future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2025, $870,000 of defeased bonds are still outstanding.

During fiscal year 2016, the City defeased $4,600,000 of the 2007 Sales and Franchise Tax revenue bonds by placing new bond proceeds in an irrevocable trust to provide for the future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2025, $1,880,000 of defeased bonds are still outstanding.

No interest was capitalized during the fiscal year ended June 30, 2025. Total interest incurred and charged to expense totaled $102,393.

Compensated absence balances are liquidated out of the funds from where the employees are allocated.

The City evaluated all potential lease payable transactions and determined that no such agreements were required to be reported under GASB 87, *Leases*.

NOTE 13 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 for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters. There have been no significant reductions in insurance coverage, and no settlements or incidents have exceeded the City's insurance coverage in any of the past three fiscal years.

NOTE 14 PENSION AND RETIREMENT PLANS

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

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

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System's 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 Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

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%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

** Actuarial reductions are applied.*

*** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases no met may be carried forward to subsequent years.*

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, 2025 are as follows:

Utah Retirement Systems	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Div - Tier 2	0.70%	15.19%	-
Noncontributory System			
15 - Local Governmental Div - Tier 1	-	16.97%	-
Tier 2 DC Only			
211 - Local Government	-	5.19%	10.00%

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

Contribution Summary

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

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 218,364	$ -
Tier 2 Public Employees System	143,818	6,665
Tier 2 DC Only System	23,014	-
Total Contributions	$ 385,196	$ 6,665

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

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

At June 30, 2025, we reported a net pension asset of $0 and a net pension liability of $547,054.

	(Measurement Date): December 31, 2024				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 2022	Change (Decrease)
Noncontributory System	$ -	$ 460,517	0.1452224%	0.1286397%	0.0165827%
Tier 2 Public Employees System	-	86,537	0.0290159%	0.0251551%	0.0038608%
Total Net Pension Asset / Liability	$ -	$ 547,054			

The net pension asset and liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2025, we recognized pension expense of $513,291.

At June 30, 2025 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 311,813	$ 596
Changes in assumptions	66,995	9
Net difference between projected and actual earnings on pension plan investments	144,246	-
Changes in proportion and differences between contributions and proportionate share of contributions	16,399	11,392
Contributions subsequent to the measurement date	191,643	-
Total	$ 731,096	$ 11,997

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

$191,643 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, 2024.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2024	$ 267,568
2025	266,496
2026	(49,398)
2027	(1,722)
2028	19,719
Thereafter	24,793

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

For the year ended June 30, 2025, we recognized pension expense of $418,572.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 274,402	$ -
Changes in assumptions	38,093	-
Net difference between projected and actual earnings on pension plan investments	138,715	-
Changes in proportion and differences between contributions and proportionate share of contributions	147	9,662
Contributions subsequent to the measurement date	106,217	-
Total	$ 557,574	$ 9,662

$106,217 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, 2024.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2024	$ 257,387
2025	250,872
2026	(56,286)
2027	(10,278)
2028	-
Thereafter	-

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

For the year ended June 30, 2025, we recognized pension expense of $94,719.

At June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 37,411	$ 596
Changes in assumptions	28,902	9
Net difference between projected and actual earnings on pension plan investments	5,531	-
Changes in proportion and differences between contributions and proportionate share of contributions	16,252	1,730
Contributions subsequent to the measurement date	85,426	-
Total	$ 173,522	$ 2,335

$85,426 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, 2024.

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

Year Ended December 31,	Net Deferred Outflows (inflows) of Resources
2024	$ 10,181
2025	15,624
2026	6,888
2027	8,556
2028	19,719
Thereafter	24,793

Actuarial Assumptions

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

Inflation	2.50 Percent
Salary Increases	3.5 – 9. 5 percent, average, including inflation
Investment Rate of Return	6.85 percent, net of pension plan investment expense, including inflation

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

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

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

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

	Expected Return Arithmetic Basis		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	35.00%	7.01%	2.45%
Debt securities	20.00%	2.54%	0.51%
Real assets	18.00%	5.45%	0.98%
Private equity	12.00%	10.05%	1.21%
Absolute return	15.00%	4.36%	0.65%
Cash and cash equivalents	0.00%	0.49%	0.00%
Totals	100.00%		5.80%
	Inflation		2.50%
	Expected arithmetic nominal return		8.30%

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

Discount Rate

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

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower (5.85 percent) or 1.00 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	$ 1,947,610	$ 460,517	$ (786,672)
Tier 2 Public Employees System	258,464	86,537	(47,206)
Total	$ 2,206,074	$ 547,054	$ (833,878)

NOTE 14 PENSION AND RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

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

Highland 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:

	2025	2024	2023
401(k) Plan			
Employer Contributions	$ 267,298	$ 267,566	$ 279,116
Employee Contributions	150,841	139,810	101,222
457 Plan			
Employer Contributions	21,910	5,420	-
Employee Contributions	55,283	49,492	28,970
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	34,380	31,637	37,425

NOTE 15 COMMITMENTS AND AGREEMENTS

The City has commitments to reimburse developers related to the Town Center project in the aggregate amount of $33,856, which will be ultimately resolved after exaction fees are received by the Towne Center fund.

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Road Fee Special Revenue Fund

Schedule of the Proportionate Share of the Net Pension Liability – Utah Retirement Systems

Schedule of Contributions – Utah Retirement Systems

HIGHLAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2025

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 8,147,557	$ 8,272,557	$ 8,404,132	$ 131,575
Licenses and permits	24,600	24,600	45,763	21,163
Intergovernmental	1,150,000	1,150,000	1,316,304	166,304
Charges for services	2,858,600	2,873,600	2,976,616	103,016
Fines and forfeitures	212,850	266,850	274,346	7,496
Interest	200,000	200,000	188,444	(11,556)
Miscellaneous	30,000	30,000	12,072	(17,928)
Total Revenues	12,623,607	12,817,607	13,217,677	400,070
Expenditures:				
Current:				
General government	1,330,610	1,498,695	1,378,355	120,340
Public safety	5,623,531	5,734,803	5,736,190	(1,387)
Streets and public works	1,116,358	1,119,409	930,536	188,873
Parks and recreation	2,134,216	2,039,767	1,697,356	342,411
Garbage	1,353,250	1,353,250	1,403,048	(49,798)
Total Expenditures	11,557,965	11,745,924	11,145,485	600,439
Excess (deficiency) of revenues over (under) expenditures	1,065,642	1,071,683	2,072,192	1,000,509
Other Financing Sources (Uses):				
Sale of capital assets	-	-	14,352	14,352
Transfers in	178,917	253,902	253,902	-
Transfers out	(1,975,023)	(2,185,023)	(2,185,023)	-
Appropriated fund balance	1,061,542	786,244	-	(786,244)
Total Other Financing Sources (Uses)	(734,564)	(1,144,877)	(1,916,769)	(771,892)
Net Change in Fund Balances	$ 331,078	$ (73,194)	155,423	$ 228,617
Fund Balance, Beginning			4,471,945	
Fund Balance, Ending			$ 4,627,368	

HIGHLAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – ROAD FEE SPECIAL REVENUE
For The Year Ended June 30, 2025

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Charges for services	$ 1,150,000	$ 1,150,000	$ 1,222,281	$ 72,281
Interest	5,000	5,000	56,141	51,141
Total Revenues	1,155,000	1,155,000	1,278,422	123,422
Expenditures:				
Current:				
Streets and public works	1,153,769	1,153,769	1,021,970	131,799
Total Expenditures	1,153,769	1,153,769	1,021,970	131,799
Excess (deficiency) of revenues over (under) expenditures	1,231	1,231	256,452	255,221
Net Change in Fund Balances	$ 1,231	$ 1,231	256,452	$ 255,221
Fund Balance, Beginning			358,865	
Fund Balance, Ending			$ 615,317	

HIGHLAND CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
June 30, 2025
Measurement Date of December 31
Last 10 Fiscal Years

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Noncontributory Retirement System					
2024	0.1452224%	$ 460,517	$ 1,302,781	35.35%	96.0%
2023	0.1286397%	298,388	1,080,937	27.60%	96.9%
2022	0.1354191%	231,939	1,116,202	20.78%	97.5%
2021	0.1285900%	(736,448)	1,049,338	-70.18%	108.7%
2020	0.1177363%	60,392	998,353	6.05%	99.2%
2019	0.1237794%	466,508	1,000,176	46.64%	93.7%
2018	0.1255408%	924,448	1,030,491	89.71%	87.0%
2017	0.1355806%	594,019	1,146,754	51.80%	91.9%
2016	0.1344475%	863,317	1,159,548	74.45%	87.3%
2015	0.1325309%	749,924	1,074,504	69.79%	87.8%
Tier 2 Public Employees Retirement System					
2024	0.0290159%	$ 86,537	$ 859,351	10.07%	87.4%
2023	0.0251551%	48,961	650,348	7.53%	89.6%
2022	0.0299748%	32,639	654,873	4.98%	92.3%
2021	0.0355161%	(15,032)	660,017	-2.28%	103.8%
2020	0.0260823%	3,751	416,520	0.90%	98.3%
2019	0.0245204%	5,515	341,008	1.62%	96.5%
2018	0.0214487%	9,186	249,592	3.68%	90.8%
2017	0.0131953%	1,163	129,115	0.90%	97.4%
2016	0.0055885%	623	45,830	1.36%	95.1%
2015	0.0257634%	(56)	166,425	-0.03%	100.2%

HIGHLAND CITY
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
Last 10 Fiscal Years*

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Nontributory System					
2025	$ 218,364	$ 218,364	$ -	$ 1,286,764	16.97%
2024	213,436	213,436	-	1,187,735	17.97%
2023	202,726	202,726	-	1,128,172	17.97%
2022	194,955	194,955	-	1,069,149	18.23%
2021	173,272	173,272	-	986,629	17.56%
2020	179,819	179,819	-	999,719	17.99%
2019	182,483	182,483	-	988,035	18.47%
2018	214,531	214,531	-	1,161,508	18.47%
2017	208,321	208,321	-	1,127,891	18.47%
2016	203,435	203,435	-	1,101,435	18.47%
Tier 2 Public Employees System*					
2025	$ 143,818	$ 143,818	$ -	$ 946,795	15.19%
2024	117,526	117,526	-	734,080	16.01%
2023	103,118	103,118	-	644,088	16.01%
2022	106,054	106,054	-	659,950	16.07%
2021	92,402	92,402	-	584,821	15.80%
2020	51,938	51,938	-	331,660	15.66%
2019	51,028	51,028	-	328,367	15.54%
2018	25,881	25,881	-	171,285	15.11%
2017	12,716	12,716	-	85,288	14.91%
2016	15,233	15,233	-	102,166	14.91%
Tier 2 Public Employees DC Only System*					
2025	$ 23,014	$ 23,014	$ -	$ 443,420	5.19%
2024	29,156	29,156	-	471,021	6.19%
2023	27,934	27,934	-	451,267	6.19%
2022	18,000	18,000	-	269,056	6.69%
2021	8,858	8,858	-	132,408	6.69%
2020	17,442	17,442	-	260,718	6.69%
2019	14,438	14,438	-	215,812	6.69%
2018	12,667	12,667	-	189,347	6.69%
2017	12,219	12,219	-	182,652	6.69%
2016	10,842	10,842	-	162,056	6.69%

** Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.*

HIGHLAND CITY
NOTES TO REQUIRED SUPPLMENTAL INFORMATION
For the fiscal Year Ended June 30, 2025

Changes in Assumptions:

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

SUPPLEMENTARY INFORMATION

HIGHLAND CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

		Special Revenue					Capital Projects			
	Debt Service	Open Space	Cemetery Perpetual Care	Library	RAP/Zoo/Arts	Building Department	*Formerly Nonmajor* Building Capital Project	Northwest Annexation	Town Center Capital Projects	Total Nonmajor Governmental Funds
Assets:										
Cash and cash equivalents	$ 17,448	$ 5,239	$ 178,361	$ 102,497	$ -	$ -	$ -	$ 18	$ 8,428	$ 311,991
Receivables:										
Accounts	-	1,077	-	-	-	-	-	-	-	1,077
Taxes	-	-	-	326,240	-	-	-	-	-	326,240
Restricted amounts:										
Cash and cash equivalents	-	-	-	-	420,923	783,872	-	-	33,856	1,238,651
Receivable - Arts & Zoo	-	-	-	-	37,818	-	-	-	-	37,818
Total Assets	$ 17,448	$ 6,316	$ 178,361	$ 428,737	$ 458,741	$ 783,872	$ -	$ 18	$ 42,284	$ 1,915,777
Liabilities:										
Accounts payable	$ -	$ -	$ 37,517	$ 8,715	$ -	$ 7,835	$ -	$ -	$ -	$ 54,067
Accrued liabilities	-	-	3,254	5,571	-	12,649	-	-	-	21,474
Payable from restricted assets	-	-	-	-	-	-	-	-	33,856	33,856
Total Liabilities	-	-	40,771	14,286	-	20,484	-	-	33,856	109,397
Deferred Inflows of Resources										
Unearned property tax revenue	-	-	-	322,705	-	-	-	-	-	322,705
Total Deferred Inflows of Resources	-	-	-	322,705	-	-	-	-	-	322,705
Fund Balances:										
Restricted for:										
RAP/Zoo/Arts	-	-	-	-	458,741	-	-	-	-	458,741
Development fees	-	-	-	-	-	763,388	-	-	-	763,388
Assigned	17,448	6,316	137,590	91,746	-	-	-	18	8,428	261,546
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	17,448	6,316	137,590	91,746	458,741	763,388	-	18	8,428	1,483,675
Total Liabilities, Deferred Inflows, and Fund Balances	$ 17,448	$ 6,316	$ 178,361	$ 428,737	$ 458,741	$ 783,872	$ -	$ 18	$ 42,284	$ 1,915,777

HIGHLAND CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

		Special Revenue					Capital Projects			
	Debt Service	Open Space	Cemetery Perpetual Care	Library	RAP/Zoo/Arts	Building Department	*Formerly Nonmajor* Building Capital Project	Northwest Annexation	Town Center Capital Projects	Total Nonmajor Governmental Funds
Revenues:										
Taxes	$ -	$ -	$ -	$363,057	$ 197,928	$ -	$ -	$ -	$ -	$ 560,985
Licenses and permits	-	-	-	-	-	870,142	-	-	-	870,142
Charges for services	-	-	368,292	41,948	-	-	-	-	-	410,240
Fines and forfeitures	-	-	-	18,736	-	-	-	-	-	18,736
Contributions from other governments	-	-	-	16,140	-	-	-	-	-	16,140
Interest income	-	-	8,085	4,350	14,939	72,625	-	1	2,234	102,234
Total Revenues	-	-	376,377	444,231	212,867	942,767	-	1	2,234	1,978,477
Expenditures:										
Current:										
General government	-	-	-	437,018	-	1,095,218	-	-	-	1,532,236
Cemetery	-	-	249,308	-	-	-	-	-	-	249,308
Capital outlay	-	-	18,498	23,321	-	31,290	-	-	-	73,109
Debt service - principal	894,000	-	-	-	-	-	-	-	-	894,000
Debt service - interest and finance charges	52,524	-	-	-	-	-	-	-	-	52,524
Total Expenditures	946,524	-	267,806	460,339	-	1,126,508	-	-	-	2,801,177
Excess (deficiency) of revenues over (under) expenditures	(946,524)	-	108,571	(16,108)	212,867	(183,741)	-	1	2,234	(822,700)
Other Financing Sources:										
Transfers in	951,257	-	-	-	-	-	-	-	-	951,257
Transfers out	-	-	(145,902)	-	-	-	-	-	-	(145,902)
Total Other Financing Sources	951,257	-	(145,902)	-	-	-	-	-	-	805,355
Net Change in Fund Balances	4,733	-	(37,331)	(16,108)	212,867	(183,741)	-	1	2,234	(17,345)
Fund Balances, Beginning, as previously reported	12,715	6,316	174,921	107,854	245,874	947,129	3,827,814	17	6,194	5,328,834
Change within financial reporting entity	-	-	-	-	-	-	(3,827,814)	-	-	(3,827,814)
Fund Balances, Beginning, as adjusted	12,715	6,316	174,921	107,854	245,874	947,129	-	17	6,194	1,501,020
Fund Balances, Ending	$ 17,448	$ 6,316	$ 137,590	$ 91,746	$ 458,741	$ 763,388	$ -	$ 18	$ 8,428	$ 1,483,675

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Honorable Mayor and
Members of the City Council
Highland City Corporation
Highland, Utah

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highland City, Utah's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Highland City, Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 29, 2026

HIGHLAND CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program Title/Program or Cluster Title	Assistance Listing Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury (USDOT)				
Passed through the State of Utah				
Coronavirus State and Local Fiscal Recovery Funds	21.027	231380	-	1,365,031
Coronavirus State and Local Fiscal Recovery Funds	21.027	230630580	-	93,212
Total USDOT			-	1,458,243
US Department of the Interior (USDOI)				
WaterSMART	15.507	R22AP00525-00	-	244,628
Total USDOI			-	244,628
Total Expenditures of Federal Awards			$ -	$ 1,702,871

HIGHLAND CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Highland City, Utah (the City) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

HIGHLAND CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major federal programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
2. Type of auditor's report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4. Identification of major federal program:	

Assistance Listing Number	*Name of Federal Program or Cluster*
21.027	Coronavirus State and Local Fiscal Relief Funds

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Section III - Federal Award Findings and Questioned Costs

None

SUPPLEMENTAL REPORTS

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

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Honorable Mayor and
Members of the City Council
Highland City Corporation
Highland, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Highland City Corporation, Utah (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2026.

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 or significant deficiencies may exist that were not 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.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 29, 2026

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

CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

Honorable Mayor and
Members of City Council
Highland City Corporation
Highland, Utah

Report on Compliance

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

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

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Related Restricted Revenues
- Fraud Risk Assessment
- Governmental Fees
- Impact Fees
- Utah Retirement Systems
- Crime Insurance for Public Treasurers

Opinion on Compliance

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report On Internal Control over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the Guide . Accordingly, this report is not suitable for any other purpose.

K&C, CPAs

K&C, Certified Public Accountants
Woods Cross, Utah
January 29, 2026

PROPOSED AMENDMENTS TO MINUTES

Agenda Item 3a (January 20, 2026, minutes)

1. *Strike out the text "Gruenwald" in the Unscheduled Public* Comments section and replace it with the text "Gruenewald" to correct the spelling of Ms. Gruenewald's name.

2. Strike out the text ", a young resident," in the third paragraph of the public hearing for item 4a because we do not generally identify the age of residents who make public comments at council meetings.

3. Make the following changes in the section covering agenda item 4c to avoid confusion about which funds were discussed.

   a. Strike out the text "utility fund" in the last sentence before Mayor Bills opened the public hearing for item 4c (p. 6 of the minutes, p. 9 of the packet);
   b. insert the text "in the Sewer Fund" immediately after the text "sewer slip lining";
   c. and strike out the text "projects" and replace it with the text "Storm Sewer Fund project."

4. Strike out the last paragraph on page 8 of the minutes (which continues onto page 9 of the minutes) because it appears to be a combination of things that were said at various times during the meeting rather than something that was said at this point.

Thank you, Doug. I agree with these amendments.

Stephannie Cottle, CMC | UCC
City Recorder/Executive Assistant
(801) 772-4505
scottle@highlandut.gov
Office hours M-TH 7:30 am – 6:00 pm

HIGHLAND CITY

Doug Cortney,
Council Member

Highland City Cemetery Sustainability

February 2026

Zions Public Finance, Inc.

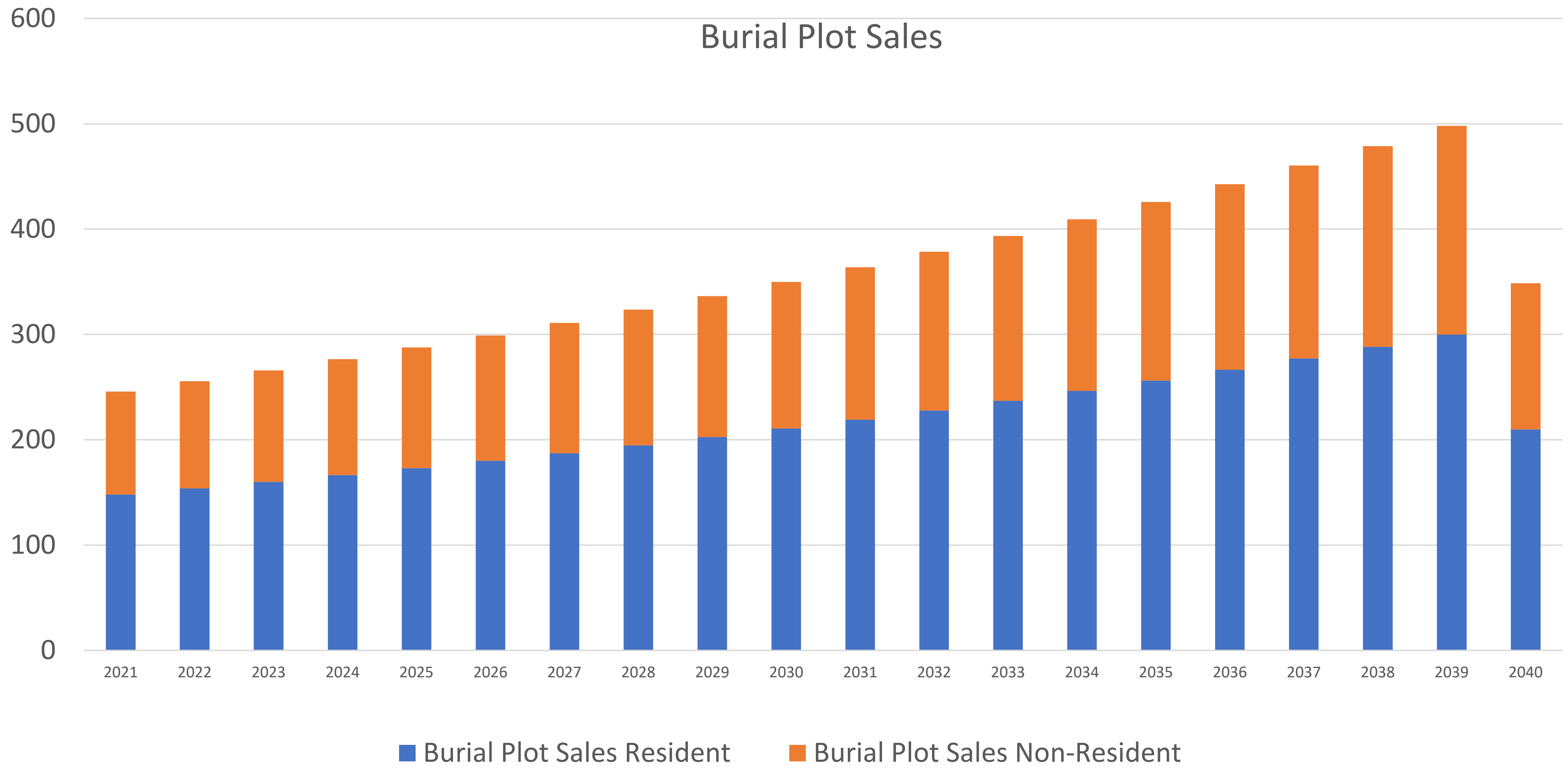
Approach

- Evaluate cemetery financial sustainability long-term
- Recognize that plot sales are the major source of revenue
- Compare cemetery rates with neighboring cemeteries/communities
- Analyze options for a perpetual care fund
- Analyze options for rate increases

Burial Plot Sales

- 4,112 plots sold as of 2024
- 6,109 plots remaining
- 10,221 total plots
- Assumes sales of 300 plots in 2025
- All plots sold by 2040

Burial Plot Sale Projections



ZIONS PUBLIC FINANCE, INC.

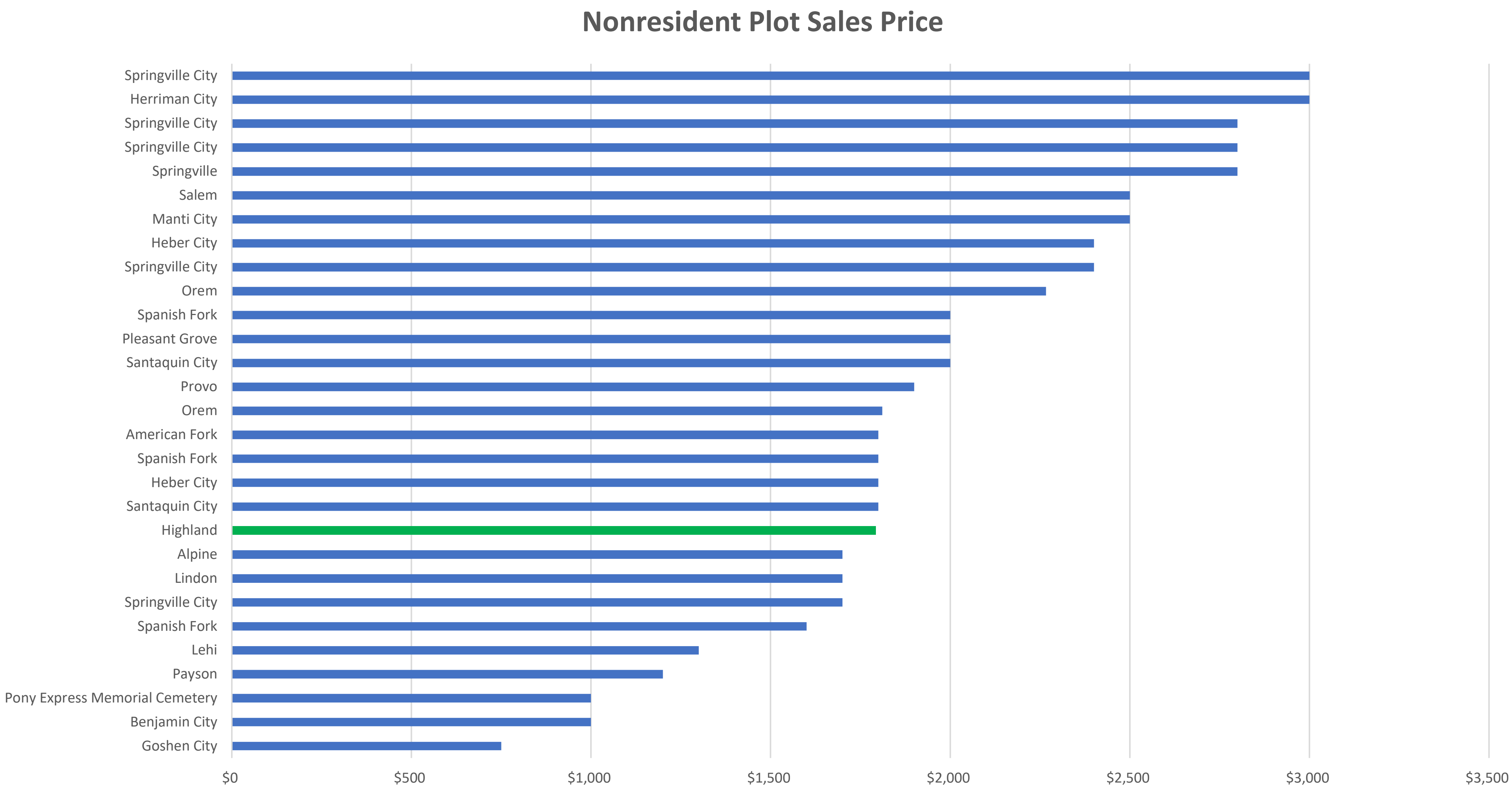
Local Area Plot Sales Price

City Cemetery	Resident	Nonresident
Pleasant Grove	$1,000	$2,000
Lehi	$1,000	$1,300
Highland	**$1,283**	**$1,793**
Provo	$1,400	$1,900
Orem	$1,413	$1,811
American Fork	$1,500	$1,800
Lindon	$1,700	$1,700
Alpine	$1,700	$1,700
Orem	$1,770	$2,267
Average	**$1,421**	**$1,808**
Median	**$1,457**	**$1,800**

Resident Plot Sales Price Comparisons

ZIONS PUBLIC FINANCE, INC.

Non-Resident Plot Sales Price



ZIONS PUBLIC FINANCE, INC.

Openings and Closings - Weekdays

City	Resident
Lehi	$500
Highland	**$600**
American Fork	$700
Pleasant Grove	$700
Orem	$709
Provo	$750
Alpine	$800
Average	**$680**
Median	**$700**

Openings and Closings - Weekdays

City	Resident
Pony Express Memorial Cemetery	$300
Benjamin City	$350
Ephraim City	$350
Goshen City	$350
Manti City	$400
Payson	$450
Santaquin City	$450
Draper	$475
Lehi	$500
Salem	$550
Spanish Fork	$550
Highland	$600
Springville	$600
Springville City	$600
Elysian Gardens	$605
Heber City	$650
American Fork	$700
Pleasant Grove	$700
Orem	$709
Provo	$750
Alpine	$800
Herriman City	$800
Mapleton City	$850
Salt Lake City	$1,106

Scenario Assumptions

- Assumes 75% repayment from Cemetery Fund to General Fund
  - Scenario 1 – land only - $269,958 remaining
  - Scenario 2 – all costs - $894,647 remaining
  - Scenario 3 – no repayment
  - Scenario 4 – all costs repaid to GF; fees set to average
- Assumes General Fund contribution in perpetuity:
  - 10% of operating expenses
  - 25% of capital costs

Endowment Needs

Description	Amount
Annual Cemetery Expenses 2075	($881,417)
GF Contribution in 2075 (10% operating; 25% capital)	$96,202
Need Interest Earnings	($785,215)
Endowment Required at 3%	**$26,173,841**
Endowment Present Value	**($5,970,438)**

What were prices like in 1975?

Average House Price	$35,000
Gallon of Gas	$0.53
Ford Pinto 2-Door Hatchback	$2,967
Barbie Doll	$2.77
Dozen Large Eggs	$0.73

Scenario 1 – Cemetery Repays 75% of **Land** Costs Only to General Fund

Description	Amount
2027 Rate Increase	15%
Annual Increase Thereafter	3.5%
2027 Fee Increase for Resident Plot Sales	$1,475
Percent of Average ($1,421)	104%
Endowment Requirement	$26.2 million

Endowment pays for 90% of operating costs and 75% of capital costs

Scenario 2 – Cemetery Repays 75% of **All** Costs to General Fund

Description	Amount
2027 Rate Increase	18.5%
Annual Increase Thereafter	3.5%
2027 Fee Increase for Resident Plot Sales	$1,520
Percent of Average ($1,421)	107%
Endowment Requirement	$26.2 million

Scenario 3 – Cemetery Does Not Repay General Fund

Description	Amount
2027 Rate Increase	13.5%
Annual Increase Thereafter	3.5%
2027 Fee Increase for Resident Plot Sales	$1,456
Percent of Average ($1,421)	102%
Endowment Requirement	$26.2 million

Scenario 4 – Cemetery Repays 75% of All Costs; Sets Fees to Average

Description	Amount
2027 Fee Increase for Resident Plot Sales (Fees Set to Average)	$1,421
Percent of Average ($1,421)	100%
Annual Increase Thereafter	3.5%
Endowment Requirement	$26.2 million
2075 Endowment	$14.6 million
2075 Interest Generated	$450,000
Total Interest Required	$785,000
Gap in 2075 (after City contribution of 10% of operating costs and 25% of capital costs)	$335,000

Summary of Scenarios

	Scenario 1 – Repay Land Cost	Scenario 2 – Repay All Cost	Scenario 3 – No Repayment	Scenario 4 – Repay All Cost; Average
2027 Rate Increase	15%	18.5%	13.5%	10.8%
Annual Increase	3.5%	3.5%	3.5%	3.5%
2027 Fee Increase for Resident Plot Sales	$1,475	$1,520	$1,456	$1,421
Percent of Average ($1,421)	104%	107%	102%	100%
Endowment Generated	$26.2 million	$26.2 million	$26.2 million	$14.6 million
Gap in Annual Funding	$0	$0	$0	$335,000