

FERRON CITY
FINANCIAL STATEMENTS
JUNE 30, 2020

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Kimball & Roberts

A Professional Corporation
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Ferron City
Ferron, Utah 84523

Report on the Financial Statements

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 Ferron City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of Ferron City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of Ferron City at June 30, 2020, and the changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, condition assessment of the City's infrastructure, budgetary comparison information, and Utah Retirement Systems pension liability and contribution be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020, on our consideration of Ferron City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ferron City's internal control over financial reporting and compliance.

Kimball & Roberts, PC

Certified Public Accountants

September 2, 2020
Richfield, Utah

FERRON CITY MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2020

This discussion of Ferron City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2020. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public public safety, highways and public improvements, and parks and recreation.

Financial Highlights

- The assets of Ferron City exceeded its liabilities as of the close of the most recent year by \$8,517,953 (net position). Of this amount, \$1,380,729 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$81,519. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the General Fund.
- At the close of the current year, the Ferron City governmental funds reported combined ending fund balances of \$550,890, an increase of \$86,621 in comparison with the prior year. Approximately 66 percent of this total amount, \$362,939 is available for spending at the government's discretion (assigned and unassigned fund balances).
- At the end of the current year, unassigned fund balance for the General Fund was \$67,697 or 16 percent of total General Fund expenditures.
- Ferron City's total debt decreased by a net amount of \$42,600 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Ferron City's basic financial statements. Ferron 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 Ferron City's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of Ferron City's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Ferron City is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Ferron 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. The governmental activities of Ferron City include general government, public safety, highways and public improvements, and parks and recreation. The business-type activities of Ferron City are water, sewer, secondary water and golf course operations.

Refer to the table of contents for the location of the government-wide financial statements.

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. Ferron City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Ferron 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 statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's 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 *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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Ferron City maintains four 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, Municipal Building Authority and Capital Project Fund all of which are considered to be major funds. Data from the other governmental fund, the Perpetual Care Fund, is presented as a non-major fund. Individual fund data for this non-major governmental fund is provided elsewhere in this report.

Ferron City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the General Fund and major special revenue funds to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Ferron City maintains four types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these four funds is shown elsewhere in this report.

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 the water, sewer, secondary water and the golf course which are all considered to be a major funds of Ferron City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

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. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Ferron City.

The combining statements referred to earlier in connection with the non-major governmental fund and the major proprietary funds is presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Ferron City, assets exceeded liabilities by \$8,517,953 at the close of the most recent fiscal year. By far the largest portion of Ferron City's net position (82 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), 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 Ferron City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ferron City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 657,761	\$ 537,336	\$ 1,095,015	\$ 1,062,901	\$ 1,752,776	\$ 1,600,237
Capital Assets	6,374,096	6,482,259	1,186,479	1,170,617	7,560,575	7,652,876
Total Assets	7,031,857	7,019,595	2,281,494	2,233,518	9,313,351	9,253,113
Deferred Outflows of Resources	9,948	4,542	15,836	35,832	25,784	40,374
Long-Term Liabilities	587,359	652,602	29,531	44,504	616,890	697,106
Other Liabilities	83,340	52,431	23,076	32,920	106,416	85,351
Total Liabilities	670,699	705,033	52,607	77,424	723,306	782,457
Deferred Inflows of Resources	78,379	70,589	19,497	13,007	97,876	83,596
Net Position:						
Net Investment in Capital Assets	5,764,193	5,829,756	1,186,479	1,170,617	6,950,672	7,000,373
Restricted	186,552	146,935	-	-	186,552	146,935
Unrestricted	341,982	271,824	1,038,747	1,008,302	1,380,729	1,280,126
Total Net Position	\$ 6,292,727	\$ 6,248,515	\$ 2,225,226	\$ 2,178,919	\$ 8,517,953	\$ 8,427,434

A portion of Ferron City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,380,729 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Ferron City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased Ferron City's net position by \$44,212. Key elements of this increase in shown on the following page.

Ferron City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 107,623	\$ 91,077	\$ 662,078	\$ 561,801	\$ 769,701	\$ 652,878
Operating Grants	115,323	98,609	-	18,500	115,323	117,109
General Revenues:						
Property Taxes	72,746	69,350	-	-	72,746	69,350
Other Taxes	279,405	258,877	-	-	279,405	258,877
Unrestricted Investment Earnings	28,750	35,899	-	-	28,750	35,899
Total Revenues	603,847	553,812	662,078	580,301	1,265,925	1,134,113
Expenses:						
General Government	212,483	186,702	-	-	212,483	186,702
Public Safety	53,028	49,820	-	-	53,028	49,820
Highways and Public Improvements	107,074	99,622	-	-	107,074	99,622
Parks and Recreation	170,277	223,261	-	-	170,277	223,261
Interest on Long-Term Debt	1,573	1,873	-	-	1,573	1,873
Utilities and Golf Course	-	-	639,971	594,514	639,971	594,514
Total Expenses	544,435	561,278	639,971	594,514	1,184,406	1,155,792
Increase in Net Position Before Transfers	59,412	(7,466)	22,107	(14,213)	81,519	(21,679)
Transfers In (Out)	(15,200)	(25,000)	15,200	25,000	-	-
Increase in Net Position	44,212	(32,466)	37,307	10,787	81,519	(21,679)
Net Position - Beg-Restated	6,248,515	6,280,981	2,187,919	2,168,132	8,436,434	8,449,113
Net Position - Ending	\$ 6,292,727	\$ 6,248,515	\$ 2,225,226	\$ 2,178,919	\$ 8,517,953	\$ 8,427,434

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Ferron City's net position by \$37,307.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of Ferron City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing Ferron City's financing requirements. In particular *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, Ferron City's governmental funds reported combined ending fund balances of \$550,890, an increase of \$86,621 in comparison with the prior year. Approximately 66 percent of this amount, \$362,939, constitutes assigned and unassigned *fund balances*, which are available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for: Bond Reserves, \$50,000; Class C Roads, \$111,090; and Perpetual Care, \$26,861. Also, fund balance has been assigned to: Capital Projects Fund, \$294,938; and Municipal Building Authority, \$304.

The General Fund is the chief operating fund of Ferron City. At the end of the current year, unassigned fund balance of the General Fund was \$67,697, while total fund balance was also \$178,787. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16 percent of total General Fund expenditures, while total fund balance represents 43 percent of that same amount.

Proprietary Funds

Ferron City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the proprietary funds at the end of the year was \$1,038,747

Other factors concerning the finances of these funds has already been addressed in the discussion of Ferron City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget was an increase of \$45,255.

Of this increase, \$0.00 was funded out of prior year unassigned fund balance. During the year actual revenues were more than budgeted revenues by \$28,332 and actual expenditures were less than budgeted expenditures by \$27,908 resulting in a net increase in fund balance of \$56,240.

Capital Asset and Debt Administration

Capital Assets

Ferron City's investment in capital assets for its governmental activities as of June 30, 2020, was \$6,374,096 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways, sidewalks, curb and gutter and bridges.

The total decrease in Ferron City's investment in capital assets for the current year was \$108,1636. Major capital additions during the current year totaled \$51,265.

Also, the City has elected to use the modified approach to account for its infrastructure assets, such as roads sidewalks and curb and gutter. That information can be found in the required supplemental information following the notes to the financial statements.

Ferron City's investment in business-type activities at June 30, 2020, was \$1,186,479 (net of depreciation). This investment in capital assets includes land, water shares, buildings, equipment and utility systems.

Ferron City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 317,736	\$ 317,736	\$ 58,204	\$ 58,204	\$ 375,940	\$ 375,940
Water Shares	-	-	1,118,637	1,102,167	1,118,637	1,102,167
Infrastructure	3,688,546	3,688,546	-	-	3,688,546	3,688,546
Buildings	469,954	513,916	-	-	469,954	513,916
Improvements Other than Buildings	1,824,916	1,908,841	9,608	10,247	1,834,524	1,919,088
Equipment	38,113	53,220	-	-	38,113	53,220
Construction In Progress	34,831	-	-	-	34,831	-
Total	\$ 6,374,096	\$ 6,482,259	\$ 1,186,449	\$ 1,170,618	\$ 7,525,714	\$ 7,652,877

Additional information on Ferron City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Ferron City had total bonded debt outstanding of \$545,000 and notes payable of \$64,903. The bonds are secured solely by specified revenue sources (i.e. revenue bonds) .

Ferron City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue Bonds	\$ 545,000	\$ 584,000	\$ -	\$ -	\$ 545,000	\$ 584,000
Notes Payable	64,903	65,803	-	-	64,903	65,803
Total	<u>\$ 609,903</u>	<u>\$ 649,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,903</u>	<u>\$ 649,803</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of its total fair market value of taxable property in the City. The City has no general obligation debt.

Additional information on Ferron City's long-term debt can be found in the notes of the financial statements.

Economic Factors and Next Year's Budgets and Rates

Castle Valley Special Service District maintains the culinary water system for the City. They raise the water rates each year from 2 percent to 3 percent. Also, they require the City to pay 90 percent of Class C road funds to the District to be used for road projects. The City will pay when the work is completed by the District.

These factors were considered in preparing Ferron City's budget for the 2020-2021 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Ferron City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ferron City Recorder, P.O. Box 820, Ferron, Utah, 84523.

BASIC FINANCIAL STATEMENTS

FERRON CITY
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 387,628	\$ 995,379	\$ 1,383,007
Accounts Receivable (Net)	1,450	34,733	36,183
Property Taxes Receivable	66,131	-	66,131
Note Receivable	-	3,600	3,600
Due From Other Government Units	16,000	-	16,000
Total Current Assets	471,209	1,033,712	1,504,921
Noncurrent Assets:			
Restricted Cash and Investments	186,552	-	186,552
Note Receivable	-	61,303	61,303
Capital Assets:			
Not Being Depreciated	4,041,113	1,176,871	5,217,984
Net of Depreciation	2,332,983	9,608	2,342,591
Total Noncurrent Assets	6,560,648	1,247,782	7,808,430
TOTAL ASSETS	7,031,857	2,281,494	9,313,351
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	9,948	15,836	25,784
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,041,805	\$ 2,297,330	\$ 9,339,135
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 38,214	\$ 23,076	\$ 61,290
Accrued Liabilities	2,526	-	2,526
Notes Payable - Due Within One Year	3,600	-	3,600
Revenue Bonds Payable - Due Within One Year	39,000	-	39,000
Total Current Liabilities	83,340	23,076	106,416
Noncurrent Liabilities:			
Net Pension Liability	16,105	25,637	41,742
Notes Payable - Due More Than One Year	61,303	-	61,303
Revenue Bonds Payable - Due More Than One Year	506,000	-	506,000
Compensated Absences	3,951	3,894	7,845
Total Noncurrent Liabilities	587,359	29,531	616,890
TOTAL LIABILITIES	670,699	52,607	723,306
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	12,248	19,497	31,745
Unearned Property Tax	66,131	-	66,131
TOTAL DEFERRED INFLOWS OF RESOURCES	78,379	19,497	97,876
NET POSITION			
Net Investment in Capital Assets	5,764,193	1,186,479	6,950,672
Restricted For:			
Bond Retirement	50,000	-	50,000
Class C Roads	111,090	-	111,090
Perpetual Care	25,462	-	25,462
Unrestricted	341,982	1,038,747	1,380,729
TOTAL NET POSITION	6,292,727	2,225,226	8,517,953
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 7,041,805	\$ 2,297,330	\$ 9,339,135

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

FERRON CITY
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2020

Function/Programs	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Net (Expense) Revenues and Changes in Net Position
Governmental Activities:						
General Government	\$ 212,483	\$ 78,663	\$ 11,500	\$ -	\$ (122,320)	\$ (122,320)
Public Safety	53,028	-	-	-	(53,028)	(53,028)
Highways and Public Improvements	107,074	-	103,823	-	(3,251)	(3,251)
Parks and Recreation	170,277	28,960	-	-	(141,317)	(141,317)
Interest on Long-Term Debt	1,573	-	-	-	(1,573)	(1,573)
Total Governmental Activities	544,435	107,623	115,323	-	(321,489)	(321,489)
Business-Type Activities:						
Utility Systems	393,907	457,102	-	-	63,195	63,195
Golf Course	246,064	204,976	-	-	(41,088)	(41,088)
Total Business-Type Activities	639,971	662,078	-	-	22,107	22,107
Total Primary Government	\$1,184,406	\$769,701	\$ 115,323	\$ -	(321,489)	(299,382)
General Revenues:						
Property Taxes					72,746	72,746
Fee-In-Lieu of Property Taxes					11,561	11,561
Sales Taxes					202,198	202,198
Franchise Taxes					47,256	47,256
Transit Tax					18,390	18,390
Unrestricted Investment Earnings					28,750	28,750
Transfers In (Out)					15,200	-
Total General Revenues					365,701	380,901
Change in Net Position					44,212	81,519
Net Position - Beginning- Restated					6,248,515	8,436,434
Net Position - Ending					\$6,292,727	\$8,517,953

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

**FERRON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Municipal Building Authority	Capital Projects Fund	Non-Major Perpetual Care Permanent Fund	Total
ASSETS					
Cash and Investments	\$ 70,056	\$ 304	\$317,268	\$ -	\$387,628
Cash and Investments-Restricted	111,090	50,000		25,462	\$186,552
Accounts Receivable	51	-	-	1,399	1,450
Property Taxes Receivable	66,131	-	-	-	66,131
Due From Other Governmental Units	16,000	-	-	-	16,000
TOTAL ASSETS	<u>\$263,328</u>	<u>\$ 50,304</u>	<u>\$317,268</u>	<u>\$ 26,861</u>	<u>\$657,761</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 15,884	\$ -	\$ 22,330	\$ -	\$ 38,214
Accrued Liabilities	2,526	-	-	-	2,526
Total Liabilities	<u>18,410</u>	<u>-</u>	<u>22,330</u>	<u>-</u>	<u>40,740</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	66,131	-	-	-	66,131
FUND BALANCES					
Restricted For:					
Bond Reserve	-	50,000	-	-	50,000
Class C Roads	111,090	-	-	-	111,090
Perpetual Care	-	-	-	26,861	26,861
Assigned To:					
Capital Projects Fund	-	-	294,938	-	294,938
Municipal Building Authority	-	304	-	-	304
Unassigned	67,697	-	-	-	67,697
Total Fund Balance	<u>178,787</u>	<u>50,304</u>	<u>294,938</u>	<u>26,861</u>	<u>550,890</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$263,328</u>	<u>\$ 50,304</u>	<u>\$317,268</u>	<u>\$ 26,861</u>	<u>\$657,761</u>

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

FERRON CITY
GOVERNMENTAL BALANCE SHEET RECONCILIATION TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances - Governmental Fund Types \$ 550,890

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

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

Land	\$ 317,736	
Buildings	469,954	
Improvements Other than Buildings	1,824,916	
Equipment	38,113	
Infrastructure	3,688,546	
Work In Progress	<u>34,831</u>	
Total		6,374,096

To recognize resources associated with pension assets and deferred outflows of pension resources:

Deferred Outflows of Resources Related to Pensions	<u>\$ 9,948</u>	
Total Pension Assets and Deferred Outflows of Resources		9,948

To recognize obligations associated with pension liabilities which are not current obligations and not recorded in the fund statements:

Net Pension Liability	\$ (16,105)	
Deferred Inflows of Resources Related to Pensions	<u>(12,248)</u>	
Total Pension Liability and Deferred Inflows of Resources		(28,353)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Revenue Bonds Payable	\$ (545,000)	
Notes Payable	(64,903)	
Compensated Absences	<u>(3,951)</u>	
Total		<u>(613,854)</u>

Net Position of Government Activities		<u><u>\$6,292,727</u></u>
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The notes to the financial statements are an integral part of this statement.

FERRON CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Ended June 30, 2020

	General Fund	Municipal Building Authority	Capital Projects Fund	Non-Major Perpetual Care Permanent Fund	Total
Revenues:					
Taxes	\$352,151	\$ -	\$ -	\$ -	\$352,151
Licenses and Permits	4,075	-	-	-	4,075
Intergovernmental Revenue	115,323	-	-	-	115,323
Charges for Services	28,184	-	-	-	28,184
Interest	28,750	-	-	-	28,750
Miscellaneous Revenues	28,189	40,875	-	6,300	75,364
Total Revenues	556,672	40,875	-	6,300	603,847
Expenditures:					
Current:					
General Government	214,575	-	4,748	-	219,323
Public Safety	30,960	-	-	-	30,960
Highway and Public Improvements	70,446	-	27,089	-	97,535
Parks and Recreation	57,994	-	14,384	-	72,378
Cemetery	37,657	-	-	-	37,657
Debt Service:					
Principal	3,600	39,000	-	-	42,600
Interest	-	1,573	-	-	1,573
Total Expenditures	415,232	40,573	46,221	-	502,026
Excess Revenues Over (Under) Expenditures	141,440	302	(46,221)	6,300	101,821
Other Financing Sources (Uses):					
Transfers Out	(85,200)	-	70,000	-	(15,200)
Total Other Financing	(85,200)	-	70,000	-	(15,200)
Net Change In Fund Balance	56,240	302	23,779	6,300	86,621
Fund Balance - Beginning	122,547	50,002	271,159	20,561	464,269
Fund Balance - Ending	<u>\$178,787</u>	<u>\$ 50,304</u>	<u>\$294,938</u>	<u>\$ 26,861</u>	<u>\$550,890</u>

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

FERRON CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2020

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 86,621
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The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the funds statements.	14,757
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	\$ 51,265	
Depreciation Expense	<u>(159,428)</u>	
Total		(108,163)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Notes Payable - Principal Paid	\$ 3,600	
Principal Payment on Bonds	<u>39,000</u>	
Total		42,600

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	<u>8,397</u>
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Changes In Net Position of Governmental Activities	<u><u>\$ 44,212</u></u>
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The notes to the financial statements are an integral part of this statement.

FERRON CITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	Business-Type Activity Proprietary Funds				
	Water System	Sewer System	Secondary Water System	Golf Course	Total
ASSETS:					
Current Assets:					
Cash and Investments	\$ 457,084	\$ 261,890	\$ 239,973	\$ 36,432	\$ 995,379
Accounts Receivable	24,943	5,888	3,902	-	34,733
Note Receivable	-	-	3,600	-	3,600
Total Current Assets	482,027	267,778	247,475	36,432	1,033,712
Noncurrent Assets:					
Note Receivable	-	-	61,303	-	61,303
Capital Assets:					
Not Being Depreciated	1,138,667	38,204	-	-	1,176,871
Net of Depreciation	-	-	9,608	-	9,608
Total Noncurrent Assets	1,138,667	38,204	70,911	-	1,247,782
TOTAL ASSETS	1,620,694	305,982	318,386	-	2,281,494
DEFERRED OUTFLOWS OF RESOURCES:					
Related to Pensions	6,783	813	2,731	5,509	15,836
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,627,477	\$ 306,795	\$ 321,117	\$ 41,941	\$ 2,297,330
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 12,315	\$ 3,405	\$ 1,110	\$ 6,246	\$ 23,076
Noncurrent Liabilities:					
Compensated Absences	2,431	295	1,168	-	3,894
Net Pension Liability	10,981	1,316	4,422	8,918	25,637
	13,412	1,611	5,590	8,918	29,531
TOTAL LIABILITIES	25,727	5,016	6,700	15,164	52,607
DEFERRED INFLOWS OF RESOURCES:					
Related to Pensions	8,351	1,001	3,363	6,782	19,497
NET POSITION:					
Net Investment in Capital Assets	1,138,667	38,204	9,608	-	1,186,479
Unrestricted	454,732	262,574	301,446	19,995	1,038,747
TOTAL NET POSITION	1,593,399	300,778	311,054	19,995	2,225,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 1,627,477	\$ 306,795	\$ 321,117	\$ 41,941	\$ 2,297,330

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

FERRON CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2020

	Business-Type Activity Proprietary Funds				
	Water System	Sewer System	Secondary Water System	Golf Course	Total
Operating Revenues:					
Charges for Sales and Services:					
Water Sales	\$ 190,436	\$ -	\$ -	\$ -	\$ 190,436
Secondary Water Sales	-	-	74,358	-	74,358
Sewer Sales	-	68,916	-	-	68,916
Garbage Fees	72,812	-	-	-	72,812
Water Lease Revenue	43,080	-	-	-	43,080
Golf Course Green Fees	-	-	-	94,841	94,841
Golf Course Cart Fees	-	-	-	66,283	66,283
Golf Course - Other	-	-	-	28,852	28,852
Total Operating Revenues	<u>306,328</u>	<u>68,916</u>	<u>74,358</u>	<u>189,976</u>	<u>639,578</u>
Operating Expenses:					
Special Service District	92,970	42,551	16,038	-	151,559
Salaries, Wages, and Benefits	76,027	8,772	30,727	124,409	239,935
Materials, Supplies, and Services	10,224	1,105	600	106,875	118,804
Garbage Collections	75,454	-	-	-	75,454
Depreciation	-	-	639	-	639
Water Lease Costs	33,190	-	-	-	33,190
Contract Services	-	-	-	12,771	12,771
Total Operating Expenses	<u>287,865</u>	<u>52,428</u>	<u>48,004</u>	<u>244,055</u>	<u>632,352</u>
Operating Income	<u>18,463</u>	<u>16,488</u>	<u>26,354</u>	<u>(54,079)</u>	<u>7,226</u>
Nonoperating Revenues (Expenses):					
Contributions	7,500	-	-	15,000	22,500
Pension Benefit Relating to GASB 68	(1,982)	145	(18,885)	(7,424)	(28,146)
Pension Expense Relating to GASB 68	1,446	(106)	13,772	5,415	20,527
Transfers In (Out)	-	-	-	15,200	15,200
Total Nonoperating Revenue	<u>6,964</u>	<u>39</u>	<u>(5,113)</u>	<u>28,191</u>	<u>30,081</u>
Change in Net Position	25,427	16,527	21,241	(25,888)	37,307
Net Position - Beginning, Restated	<u>1,567,972</u>	<u>284,251</u>	<u>289,813</u>	<u>45,883</u>	<u>2,187,919</u>
Net Position - Ending	<u>\$ 1,593,399</u>	<u>\$ 300,778</u>	<u>\$ 311,054</u>	<u>\$ 19,995</u>	<u>\$ 2,225,226</u>

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

FERRON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Fiscal Year Ended June 30, 2020

	Business-Type Activity Proprietary Funds				
	Water System	Sewer System	Secondary Water System	Golf Course	Total
Cash Flows From Operating Activities:					
Receipts From Customers	\$ 304,254	\$ 68,853	\$ 74,677	\$ 189,976	\$ 637,760
Payments to Employees	(73,596)	(8,477)	(29,559)	(124,409)	(236,041)
Payments to Suppliers	(212,638)	(43,620)	(16,680)	(128,684)	(401,622)
Net Cash Provided by Operating Activities	18,020	16,756	28,438	(63,117)	97
Cash Flows From Capital and Related Financing Activities:					
Note Receivable - Current	-	-	3,600	-	3,600
Contributions	-	-	-	15,000	15,000
Transfers In (Out)	-	-	-	15,200	15,200
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	3,600	30,200	33,800
Net Increase (Decrease) in Cash and Investments	18,020	16,756	32,038	(32,917)	33,897
Cash and Investments - Beginning	439,064	245,134	207,935	69,349	961,482
Cash and Investments - Ending	<u>\$ 457,084</u>	<u>\$ 261,890</u>	<u>\$ 239,973</u>	<u>\$ 36,432</u>	<u>\$ 995,379</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:					
Operating Income (Loss)	<u>\$ 18,463</u>	<u>\$ 16,488</u>	<u>\$ 26,354</u>	<u>\$ (54,079)</u>	<u>\$ 7,226</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:					
Depreciation	-	-	639	-	639
Increase (Decrease) in Operating Assets:					
Accounts Receivable	(2,074)	(62)	319	-	(1,817)
Accounts Payable	(800)	35	(42)	(9,038)	(9,845)
Compensated Absences	2,431	295	1,168	-	3,894
Total Adjustments	(443)	268	2,084	(9,038)	(7,129)
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,020</u>	<u>\$ 16,756</u>	<u>\$ 28,438</u>	<u>\$ (63,117)</u>	<u>\$ 97</u>

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

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ferron City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2020.

The following is a summary of the more significant policies:

A. Reporting Entity

Ferron City is a municipal corporation in Emery County, Utah. It is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Ferron City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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 required to be accounted for in another fund.

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to Ferron City for City purposes.

Capital Projects Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following enterprise funds:

The Water, Sewer, Secondary Water, and Golf Course Funds account for the activities of the City. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Secondary Water and Golf Course Funds are charges to customers for services. Operating expenses for these 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.

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.

D. Assets, Liabilities and Net Position or Equity

Deposits and Investments:

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The City's investments are reported at amortized cost, which approximates fair value at year-end. The Utah Public Treasurers' Investment Fund (PTIF) operates in accordance with appropriate Utah state laws. Investments are recorded at amortized cost, which approximates *fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application*. The fair value of the City's position in the PTIF investment pool is the same as the value of the pool shares. Changes in the fair value in investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to funds based on the average earnings of each participating fund.

Cash and Investments:

The City considers cash and cash equivalents to be cash on hand and demand deposits, and considers investments to be short-term investments with original maturities of three months or less from the date of acquisition, including the PTIF.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Improvements Other Than Buildings	40 Years
Equipment	7 Years

Long-Term Obligations:

In the government-wide financial statements governmental long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

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

Equity Classifications:

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

- a. 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.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" "restricted" or "net investment in capital assets".

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned, or Unassigned.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted Fund Balance classification are restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance classification includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. It also includes all remaining amounts that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed, and are intended to be used for specific purposes.

Unassigned Fund Balance classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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

E. Property Taxes:

Property taxes are assessed and collected for the City by Emery County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and 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.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has only one type of item that qualifies for reporting in this category, deferred outflows as relating to pensions as described in Note 14.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and deferred inflows as relating to pensions as described in Note 14. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

I. 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.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Date of Subsequent Event Evaluation

Ferron City's subsequent events have been evaluated through the day of the financial statement issuance of September 2, 2020.

NOTE 2 - CASH AND INVESTMENTS

Deposits:

Deposits and Investments are carried at amortized cost, which approximates fair value. A reconciliation of cash and investments at June 30, 2020, as shown on the financial statements is as follows:

	<u>Carrying at Fair Value</u>
Cash On Hand	\$ 200
Demand Deposits	78,046
Investments - PTIF	<u>1,491,313</u>
Total Cash and Investments	<u><u>\$1,569,559</u></u>
Governmental Activities - Unrestricted	\$ 387,628
Governmental Activities - Restricted	186,552
Business-Type Activities - Unrestricted	<u>995,379</u>
Total Cash and Investments	<u><u>\$1,569,559</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$0.00 of the City's bank balances of \$104,895 was uninsured and uncollateralized.

Investments:

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

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

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

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

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

Fair Value of Investments

The City measures and records its investments at amortized cost, which approximates 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.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

At June 30, 2020 the City had the following recurring fair value measurements:

<u>Investments By Fair Value Level</u>	<u>June 30, 2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities:				
Utah Public Treasurers' Investment Fund	<u>\$1,494,964</u>	<u>\$ -</u>	<u>\$1,494,964</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u>\$1,494,964</u>	<u>\$ -</u>	<u>\$1,494,964</u>	<u>\$ -</u>

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

- * Utah Public Treasurers' Investment Fund: application of the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2020, the City's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Utah Public Treasurers' Investment Fund	<u>\$1,494,964</u>	<u>\$1,494,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,494,964</u>	<u>\$1,494,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

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

At June 30, 2020, the City's investments had the following quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Utah Public Treasurers' Investment Fund	\$1,494,964	\$ -	\$ -	\$ -	\$1,494,964
Total	\$1,494,964	\$ -	\$ -	\$ -	\$1,494,964

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments with a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The city does not have a formal policy for custodial credit risk. As of June 30, 2020, the City had \$1,494,964 in debt security investments, level 2, which were held by the investment's counterparty. The City places no other limits on the amount of investments to be held by counterparties.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 3 - WATER SHARES

Ferron City owns stock in Ferron Canal and Reservoir Company. Ferron City maintains a policy of requiring one share of water stock for each culinary water connection granted. The estimated market value of the stock is greater than their cost. The change in water stock ownership during the year is summarized below:

	<u>Shares</u>	<u>Cost</u>
Balance - Beginning of Year, Restated	1,666	\$1,111,167
Purchased	-	-
Contributed	<u>5</u>	<u>7,500</u>
Balance - End of Year	<u><u>1,671</u></u>	<u><u>\$1,118,667</u></u>

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 317,736	\$ -	\$ -	\$ 317,736
Infrastructure	3,688,546	-	-	3,688,546
Work In Progress	<u>-</u>	<u>34,831</u>	<u>-</u>	<u>34,831</u>
Total Capital Assets Not Being Depreciated	<u>4,006,282</u>	<u>34,831</u>	<u>-</u>	<u>4,041,113</u>
Capital Assets Being Depreciated:				
Buildings	2,205,568	-	-	2,205,568
Improvements Other Than Bldgs.	3,248,332	11,675	-	3,260,007
Machinery and Equipment	<u>489,762</u>	<u>4,759</u>	<u>-</u>	<u>494,521</u>
Total Capital Assets Being Depreciated	<u>5,943,662</u>	<u>16,434</u>	<u>-</u>	<u>5,960,096</u>
Less Accumulated Depreciation For:				
Buildings	1,691,652	43,962	-	1,735,614
Improvements Other Than Bldgs.	1,339,489	95,602	-	1,435,091
Machinery and Equipment	<u>436,544</u>	<u>19,864</u>	<u>-</u>	<u>456,408</u>
Total Accumulated Depreciation	<u>3,467,685</u>	<u>159,428</u>	<u>-</u>	<u>3,627,113</u>
Total Capital Assets Being Depreciated (Net)	<u>2,475,977</u>	<u>(142,994)</u>	<u>-</u>	<u>2,332,983</u>
Governmental Activities Capital Assets, Net	<u>\$6,482,259</u>	<u>\$ (108,163)</u>	<u>\$ -</u>	<u>\$6,374,096</u>

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 58,204	\$ -	\$ -	\$ 58,204
Water Stock	1,111,167	7,500	-	1,118,667
 Total Capital Assets Not Being Depreciated	 1,169,371	 7,500	 -	 1,176,871
 Capital Assets Being Depreciated:				
Building	39,584	-	-	39,584
Equipment	249,983	-	-	249,983
Improvements	806,064	-	-	806,064
Utility Systems	1,891,910	-	-	1,891,910
 Total Capital Assets Being Depreciated	 2,987,541	 -	 -	 2,987,541
 Less Accumulated Depreciation For:				
Building	39,584	-	-	39,584
Equipment	249,983	-	-	249,983
Improvements	806,064	-	-	806,064
Utility Systems	1,881,663	639	-	1,882,302
 Total Accumulated Depreciation	 2,977,294	 639	 -	 2,977,933
 Total Capital Assets Being Depreciated (Net)	 10,247	 (639)	 -	 9,608
 Business-Type Activities Capital Assets, Net	 1,179,618	 6,861	 -	 1,186,479
 Total Capital Assets	 \$7,661,877	 \$ (101,302)	 \$ -	 \$7,560,575

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business-Type Activities
General Government	\$ 16,314	\$ -
Public Safety	22,068	-
Highways and Public Improvements	14,298	-
Parks and Recreation	106,748	-
Secondary Water	-	639
	<u>-</u>	<u>639</u>
Total Depreciation Expense	<u>\$ 159,428</u>	<u>\$ 639</u>

NOTE 5 - LONG-TERM DEBT
Governmental -Type

CIB Revenue Bonds:

On August 7, 2003, the City obtained partial financing from the Permanent Community Impact Board by obtaining a \$333,715 grant and a \$169,357 loan to the Municipal Building Authority of Ferron City for the construction of a new fire station to service Ferron City. However, during 2004 the City obtained an additional loan for \$33,500. The Community Impact Board approved the retirement of the old bond and the City issued a new bond in the amount of \$202,857.

The bond requires 20 principal installments payable on January 1st of each year commencing on January 1, 2006. The bond carries the interest rate of 2.5%. The balance at year end was \$75,000. The bond requires a bond reserve of \$13,000. The reserve balance a June 30, 2020 was \$13,000.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
January 1,			
2021	\$ 12,000	\$ 1,275	\$ 13,275
2022	13,000	975	13,975
2023	13,000	650	13,650
2024	13,000	325	13,325
	<u>13,000</u>	<u>325</u>	<u>13,325</u>
Total	<u>\$ 51,000</u>	<u>\$ 3,225</u>	<u>\$ 54,225</u>

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Municipal Building Authority Bond:

On April 7, 2005 the Community Impact Board authorized a \$76,000 loan to the Municipal Building Authority of Ferron City for the construction of a open metal shed at the Fairground Park. The loan was evidenced by a lease revenue bond to be issued by the City and purchased by the Board. The terms of the loan require yearly payments with no interest. The bonds mature April 1, 2026. The balance at year end was \$28,000. The bond has a bond reserve requirement of \$4,000. The balance of this bond reserve at June 30, 2020 was \$4,000.

The following is a summary of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 1,			
2021	\$ 4,000	\$ -	\$ 4,000
2022	4,000	-	4,000
2023	4,000	-	4,000
2024	4,000	-	4,000
2025	4,000	-	4,000
2026	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>

Municipal Building Authority Bond - CIB Series 2009A and 2009B:

During the fiscal year 2008-2009 the City issued two Revenue Bonds Series 2009A and 2009B for the purpose of extending the Golf Course to an 18 hole course from a 9 hole course. The bonds were purchased by the Community Impact Board with a 0% interest. The Series 2009A bonds redeemed the Series 1993 Bond and are paid in full. The Series 2009B Bonds were issued for \$700,000 and will mature April 1, 2040. The bond has a bond reserve requirement of \$33,000. The balance of this bond reserve at June 30, 2020 was \$33,000.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

CIB Series 2009A & 2009B Revenue Bonds:

The following is a summary of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
April 1,			
2021	\$ 23,000	\$ -	\$ 23,000
2022	23,000	-	23,000
2023	23,000	-	23,000
2024	23,000	-	23,000
2025	23,000	-	23,000
2026-2030	115,000	-	115,000
2031-2035	115,000	-	115,000
2036-2039	125,000	-	125,000
	<u>\$ 470,000</u>	<u>\$ -</u>	<u>\$ 470,000</u>
Total			

Note Payable - Secondary Water Fund:

During 2014 the Secondary Water Fund loaned the General Fund \$86,503, to purchase real property. The loan is non-interest bearing with a term of eleven years. Payments of \$3,600 for ten years and a balloon payment of \$50,503 as a final payment. The Note matures July 1, 2025.

The following is a summary of payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
July 1,			
2021	\$ 3,600	\$ -	\$ 3,600
2022	3,600	-	3,600
2023	3,600	-	3,600
2024	3,600	-	3,600
2025	50,503	-	50,503
	<u>\$ 64,903</u>	<u>\$ -</u>	<u>\$ 64,903</u>
Total			

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of Governmental Long-Term Debt to maturity:

	Direct Placements		Notes from Direct Borrowing		Total
	Bonds		Principal	Interest	
	Principal	Interest			
2021	39,000	1,275	3,600	\$ -	\$ 43,875
2022	40,000	975	3,600	-	44,575
2023	40,000	650	3,600	-	44,250
2024	40,000	325	3,600	-	43,925
2025	27,000	-	50,503	-	77,503
2026-2030	119,000	-	-	-	119,000
2031-2035	115,000	-	-	-	115,000
2036-2039	125,000	-	-	-	125,000
Total	\$ 545,000	\$ 3,225	\$ 64,903	\$ -	\$ 613,128

Compensated Absences:

Compensated absences represents accrued vacation and sick leave at June 30, 2020, of \$36,652. The following is a statement of changed in compensated absences.

	Beginning Balance	Additions	Deletions	Ending Balance
General Fund	\$ 12,348	\$ -	\$ 8,397	\$ 3,951
Business-Type Funds	-	3,894	-	3,894
Total Compensated Absences	<u>\$ 12,348</u>	<u>\$ 3,894</u>	<u>\$ 8,397</u>	<u>\$ 7,845</u>

Lease-Revenue Bonds - Municipal Building Authority of Ferron City:

On February 22, 1993, the Ferron City Council created the Municipal Building Authority of Ferron City under section 11-29-3 of the Utah Code Annotated 1953. The purpose of the Building Authority is to finance the acquisition, construction of, and improvements to the municipal golf course, including a clubhouse, parking lot and sidewalks. The Building Authority has obtained leases with Ferron City for the lease of the golf course facilities when constructed. The proceeds of the leases will be used to retire the bonded indebtedness of the Building Authority. The Mayor and Ferron City Council are the trustees of the Building Authority.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in long-term debt payable:

	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2019	Current Year Changes		Outstanding June 30, 2020	Current Portion
Governmental:					Additions	Retirements		
Net Pension Liability			\$ -	\$ 30,351	\$ -	\$ 14,246	\$ 16,105	\$ -
Accrued Compensated Absences			-	12,348	-	8,397	3,951	-
Total Governmental Long-Term Debt			-	42,699	-	22,643	20,056	-
Business-Type:								
Revenue Bonds Payable:								
CIB Revenue Bonds	2003	2.5%	202,857	63,000	-	12,000	51,000	12,000
CIB Revenue Bonds	2005	0%	76,000	28,000	-	4,000	24,000	4,000
CIB Series 2009B Revenue Bonds	2009	0%	700,000	493,000	-	23,000	470,000	23,000
Total Revenue Bonds			978,857	584,000	-	39,000	545,000	39,000
Note Payable:								
Secondary Water Fund	2014	0%	86,503	68,503	-	3,600	64,903	3,600
Net Pension Liability			-	44,504	-	18,867	25,637	-
Accrued Compensated Absences			-	-	3,894	-	3,894	-
Total Business-Type Long-Term Debt			1,065,360	697,007	3,894	61,467	639,434	42,600
Total Long-Term Debt			\$1,065,360	\$ 739,706	\$ 3,894	\$ 84,110	\$ 659,490	\$ 42,600

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - SPECIAL REVENUE FUND

Municipal Building Authority of Ferron City:

The following is a statement of receipts and disbursements in the Municipal Building Authority Special Revenue Fund:

Fund Balance - Beginning of Year		\$ 50,002
Receipts:		
Lease Revenue		40,875
Disbursements:		
Debt Service Principal	\$ (39,000)	
Debt Service Interest	<u>(1,573)</u>	
Total Disbursements		<u>(40,573)</u>
Fund Balance - End of Year		<u><u>\$ 50,304</u></u>

NOTE 7 - CLASS C ROAD RESTRICTED FUND BALANCE:

The following is a statement of receipts and disbursements in the Class C Road Restricted Fund Balance:

Restricted Fund Balance - Beginning of Year		\$ 76,372
Receipts:		
State of Utah Allotments	\$ 103,823	
Interest	<u>1,341</u>	
Total Receipts		105,164
Disbursements:		
Construction and Maintenance		<u>(70,446)</u>
Restricted Fund Balance - End of Year		<u><u>\$ 111,090</u></u>

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 8 - GOLF COURSE BUSINESS-TYPE ACTIVITY:

The following is a statement of revenues and expenses for the Golf Course:

Revenues:

Green Fees	\$ 94,841
Golf Cart Fees	66,283
Driving Range and Pro Shop Sales	15,238
Restaurant Income	467
Other Revenues	<u>13,124</u>
 Total Revenues	 <u>189,953</u>

Operating Expenses:

Salaries and Wages	90,155
Benefits	34,254
Contractual Services	12,771
Equipment Supplies and Maintenance	65,370
Utilities	32,225
Fuel	7,373
Restaurant Expenses	<u>1,907</u>
 Total Operating Expenses	 <u>244,055</u>

Operating Income (Loss)	<u>(54,102)</u>
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Nonoperating Revenues and (Expenses):

Transfer from General Fund	15,200
Travel Bureau Contribution	15,000
Golf Grant	23
Pension Benefit Relating to GASB 68	(7,424)
Pension Expense Relating to GASB 68	<u>5,415</u>
 Total Nonoperating Revenue and Expenses:	 <u>28,214</u>

Change in Net Position	(25,888)
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Net Position - Beginning of Year	<u>45,883</u>
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Net Position - End of Year	<u><u>\$ 19,995</u></u>
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FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - PERPETUAL CARE PERMANENT FUND

The following is a statement of receipts and disbursements in the Perpetual Care Permanent Fund:

Fund Balance - Beginning of Year	\$ 20,561
Receipts:	
Perpetual Care Payments	6,300
Disbursements	<u>-</u>
Fund Balance - End of Year	<u><u>\$ 26,861</u></u>

NOTE 10 TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 85,200
Capital Projects Fund	70,000	-
Golf Course Fund	<u>15,200</u>	<u>-</u>
	<u><u>\$ 85,200</u></u>	<u><u>\$ 85,200</u></u>

Transfers were made for the following purposes:

- * The General Fund transferred \$15,200 to the Golf Course for operating capital.
- * The General Fund transferred \$70,000 to the Capital Projects Fund for planned projects.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Governments Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three years.

NOTE 12 - ROUNDING CONVENTION

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 13 - PRIOR PERIOD ADJUSTMENT - WATER FUND

During the current year it was discovered that shares of water were being contributed to the City for new connections to the culinary water system. The value of the shares was determined to be \$1,500 per share. There were 6 shares contributed in previous years and not recorded as "Water Stock". The addition of water stock increased Water Stock and Net Position at the beginning of the year.

Water Stock and Net Position are restated as noted below:

	Balances	
	Water Stock	Net Position
Beginning of Year	\$1,102,167	\$1,558,972
Water Stock Additions	9,000	9,000
Beginning of Year - Restated	<u>\$1,111,167</u>	<u>\$1,567,972</u>

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS

General Information about the Pension Plan

Plan Description:

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

Defined Benefit Plans:

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.

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

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

The Utah retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The 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 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.

Benefits Provided:

URS provides retirement, disability, and death benefits. Retirement benefits are as shown on the following page.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

Summary of Benefits by System:

<u>System</u>	<u>Final Average Salary</u>	<u>Years of Service Required and/or Age Eligible for Benefit</u>	<u>Benefit Percent Per Year of Service</u>	<u>Cola**</u>
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%

* with actuarial reductions

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

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 URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the cost 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, 2020, are as follows:

Utah Retirement Systems:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k) Plan</u>
Contributory System			
111 - Local Government Division - Tier 2	N/A	15.66%	1.03%
Noncontributory System			
15 - Local Government Division - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

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

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 13,430	N/A
Tier 2 Public Employees System	<u>12,953</u>	<u>-</u>
Total Contributions	<u><u>\$ 26,383</u></u>	<u><u>\$ -</u></u>

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

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

At June 30, 2020, we reported a net pension asset of \$0 and a net pension liability of \$41,742.

	<u>(Measurement Date): December 31, 2019</u>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share - 2019</u>	<u>Proportionate Share - 2018</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$ 40,588	0.0107694%	0.0097880%	0.0009814%
Tier 2 Public Employees System	<u>-</u>	<u>1,154</u>	0.0051290%	0.0064880%	-0.0013590%
Total	<u><u>\$ -</u></u>	<u><u>\$ 41,742</u></u>			

The net pension asset and liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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 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, 2020, we recognized pension expense of \$19,229.

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,015	\$ 979
Changes in assumptions	4,792	33
Net difference between projected and actual earnings on pension plan investments	-	21,413
Changes in proportion and differences between contributions and proportionate share of contributions	4,269	9,320
Contributions subsequent to the measurement date	<u>12,707</u>	<u>-</u>
Total	<u>\$ 25,783</u>	<u>\$ 31,745</u>

\$12,707 reported as deferred outflows of resources to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

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,	<u>Deferred Outflows (Inflows) of Resources</u>
2020	\$ (8,108)
2021	\$ (4,521)
2022	\$ 1,268
2023	\$ (8,041)
2024	\$ 117
Thereafter	\$ 616

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

Actuarial Assumptions:

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40.00%	6.15%	2.46%
Debt Securities	20.00%	0.40%	0.08%
Real Assets	15.00%	5.75%	0.86%
Private Equity	9.00%	9.95%	0.90%
Absolute Return	16.00%	2.85%	0.46%
Cash and Cash Equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate:

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

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 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate shown on the following page:

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 126,772	\$ 40,588	\$ (31,288)
Tier 2 Public Employees System	9,948	1,154	(5,643)
	<u>\$ 136,720</u>	<u>\$ 41,742</u>	<u>\$ (36,931)</u>

Pension Plan Fiduciary Net Position:

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

FERRON CITY
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 14 - PENSION PLANS (CONTINUED)

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 section 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provision is available in the separately issued URS financial report.

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

- * 401(k) 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:

	2020	2019	2018
401(K) Plan:			
Employer Contributions	\$ 2,383	\$ 3,014	\$ 3,347
Employee Contributions	\$ -	\$ 754	\$ 3,664
Roth IRA Plan:			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 5,406	\$ 5,519	\$ 2,963

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

FERRON CITY
CONDITION RATING OF THE CITY'S ROAD SYSTEM
For The Fiscal Year Ended June 30, 2020

Percentage of Lane-Miles in Good or Better Condition:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Paved	90	90	90	90	90
Gravel	75	76	76	76	76
Dirt	90	90	90	90	90
Overall System	85	85	85	85	85
Curb and Gutter	90	85	90	94	92
Sidewalks	85	80	85	85	80
Bridges	100	100	100	100	100

Percentage of Lane-Miles in Substandard Condition:

	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Paved	5	5	5	5	5
Gravel	10	10	10	10	10
Dirt	5	5	5	5	5
Overall System	7	7	7	7	7
Curb and Gutter	5	10	5	3	5
Sidewalks	5	10	5	5	10
Bridges	0	0	0	0	0

Comparison of Needed-to-Actual Maintenance/Preservation - Roads and Bridges:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Estimated	\$ 100,880	\$ 84,000	\$ 109,400	\$ 140,000	\$ 135,000
Actual	\$ 70,446	\$ 85,110	\$ 117,200	\$ 71,296	\$ 78,746

The condition of road pavement is measured using the American... (AASHTO) pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair condition (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

This schedule presents the information for the last five years. GASB standards require reporting the last three complete condition assessments and needed-to-actual information for 5 years.

The condition of the City's bridges is determined using its Bridge Management and Inspection Program (BMIP). The bridge condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1.0 (impaired or load restricted) to 7.0 (new). It is the City's policy to keep the number and square footage of deck area of bridges with a condition rating of 1.0 to 1.9 below 1 percent. All bridges are inspected every two years.

FERRON CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS
For The Fiscal Year Ended June 30, 2020

Budgetary Comparison Schedules:

The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual presented in this section of the report are for the City's General Fund and Municipal Building Authority Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund and Municipal Building Authority Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Budgetary Compliance:

For the year ended June 30, 2020, spending for all funds and departments of the City was within the approved budgets.

FERRON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
General Property Taxes	\$ 66,131	\$ 68,270	\$ 68,271	\$ 1
Delinquent Prior Years Taxes	3,869	4,475	4,475	-
Fee-In-Lieu	11,000	11,560	11,561	1
General Sales and Use Taxes	190,000	186,390	202,198	15,808
Franchise Taxes	42,500	45,505	47,256	1,751
Transit Tax	12,500	16,990	18,390	1,400
Total Taxes	<u>326,000</u>	<u>333,190</u>	<u>352,151</u>	<u>18,961</u>
Licenses and Permits:				
Business Licenses	2,000	1,755	1,759	4
Building Permits	5,000	955	957	2
Animal Control	900	1,115	1,118	3
General Fines and Fees	-	235	241	6
Total Licenses and Permits	<u>7,900</u>	<u>4,060</u>	<u>4,075</u>	<u>15</u>
Intergovernmental Revenue:				
State Grants	-	-	8,000	8,000
Local Grants	-	3,500	3,500	-
Class C Road	95,000	103,820	103,823	3
Total Intergovernmental Revenue	<u>95,000</u>	<u>107,320</u>	<u>115,323</u>	<u>8,003</u>
Charges for Services:				
Cemetery Fees	1,000	3,525	3,700	175
Peach Days	15,800	18,955	18,960	5
Other	7,385	5,520	5,524	4
Total Charges for Services	<u>24,185</u>	<u>28,000</u>	<u>28,184</u>	<u>184</u>
Other Revenue:				
Interest	24,000	27,595	28,750	1,155
Rental Fees	1,800	2,980	2,980	-
Sundry	4,200	25,195	25,209	14
Total Miscellaneous Revenue	<u>30,000</u>	<u>55,770</u>	<u>56,939</u>	<u>1,169</u>
Total Revenues	<u>\$ 483,085</u>	<u>\$ 528,340</u>	<u>\$ 556,672</u>	<u>\$ 28,332</u>

FERRON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For The Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Variance With Final Budget</u>
Expenditures:				
General Government:				
Mayor and Council	\$ 26,500	\$ 23,366	\$ 23,366	\$ -
Administrative	142,000	135,500	142,915	(7,415)
Non-Departmental	21,740	21,740	13,673	8,067
Building and Grounds	43,400	43,400	33,075	10,325
Planning and Zoning	6,400	6,400	1,546	4,854
Total General Government	<u>240,040</u>	<u>230,406</u>	<u>214,575</u>	<u>15,831</u>
Public Safety:				
EMT	500	500	-	500
Fire Department	30,575	30,275	28,147	2,128
Animal Control	1,000	2,059	2,813	(754)
Total Public Safety	<u>32,075</u>	<u>32,834</u>	<u>30,960</u>	<u>1,874</u>
Highway and Public Improvements:				
Highways and Streets	<u>100,880</u>	<u>100,880</u>	<u>70,446</u>	<u>30,434</u>
Parks and Recreation:				
Parks	12,100	12,100	9,024	3,076
Fairgrounds	22,040	22,040	14,583	7,457
Peach Days	37,150	36,341	34,387	1,954
Cemetery	35,200	36,600	37,657	(1,057)
Total Parks and Recreation	<u>106,490</u>	<u>107,081</u>	<u>95,651</u>	<u>11,430</u>
Debt Service:				
Principal on Debt	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>-</u>
Other Sources (Uses):				
Budgeted Increase in Fund Balance	-	53,539	-	53,539
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(85,200)</u>	<u>(85,200)</u>
Total Other Sources (Uses)	<u>-</u>	<u>53,539</u>	<u>(85,200)</u>	<u>(31,661)</u>
Total Expenditures	<u>483,085</u>	<u>528,340</u>	<u>500,432</u>	<u>27,908</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	56,240	<u>\$ 56,240</u>
Fund Balance - Beginning			<u>122,547</u>	
Fund Balance - Ending			<u>\$ 178,787</u>	

FERRON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL BUILDING AUTHORITY
For The Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Variance With Final Budget</u>
Revenues:				
Lease Revenue	<u>\$ 40,875</u>	<u>\$ 40,875</u>	<u>\$ 40,875</u>	<u>\$ -</u>
Total Revenues	<u>40,875</u>	<u>40,875</u>	<u>40,875</u>	<u>-</u>
Expenditures:				
Debt Service:				
Principal	39,000	39,000	39,000	-
Interest	<u>2,900</u>	<u>2,900</u>	<u>1,573</u>	<u>1,327</u>
Total Expenditures	<u>41,900</u>	<u>41,900</u>	<u>40,573</u>	<u>1,327</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (1,025)</u>	<u>\$ (1,025)</u>	302	<u>\$ 1,327</u>
Fund Balance - Beginning			<u>50,002</u>	
Fund Balance - Ending			<u>\$ 50,304</u>	

FERRON CITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
Measurement Date of December 31, 2019
June 30, 2020
Last 10 Fiscal Years*

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
Proportion of the Net Pension Liability (Asset):		
2014	0.0178377%	0.0022489%
2015	0.0163455%	0.0058122%
2016	0.0162871%	0.0026836%
2017	0.0114075%	0.0056556%
2018	0.0097880%	0.0064880%
2019	0.0107694%	0.0051290%
Proportionate Share of the Net Pension Liability (Asset):		
2014	\$ 77,455	\$ (68)
2015	\$ 92,491	\$ (13)
2016	\$ 104,583	\$ 299
2017	\$ 49,980	\$ 499
2018	\$ 72,076	\$ 2,779
2019	\$ 40,588	\$ 1,154
Covered Employee Payroll:		
2014	\$ 153,262	\$ 11,139
2015	\$ 132,156	\$ 37,555
2016	\$ 142,661	\$ 22,008
2017	\$ 86,154	\$ 55,117
2018	\$ 71,136	\$ 75,994
2019	\$ 86,218	\$ 71,269
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll:		
2014	50.50%	-0.60%
2015	69.99%	-0.03%
2016	73.31%	1.36%
2017	58.01%	0.91%
2018	101.32%	3.66%
2019	47.08%	1.62%
Plan Fiduciary Net Position as a Percentage of its Covered-Employee Payroll:		
2014	90.20%	103.50%
2015	87.80%	100.20%
2016	87.30%	95.10%
2017	91.90%	97.40%
2018	87.00%	90.80%
2019	93.70%	96.50%

* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate of the Net Pension Liability (Asset) in their RSI. This schedule will need to be built prospectively. The schedule above is for the years 2014 through 2018.

FERRON CITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
June 30, 2020

	As of Fiscal Year Ended June 30,	Actuarial Determined Contributions	Contributions in Relation to The Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
Noncontributory System	2011	\$ 22,755	\$ 22,755	\$ -	\$ 142,228	16.00%
	2012	\$ 20,068	\$ 20,068	\$ -	\$ 145,740	13.77%
	2013	\$ 20,994	\$ 20,994	\$ -	\$ 157,028	13.37%
	2014	\$ 30,075	\$ 30,075	\$ -	\$ 173,943	17.29%
	2015	\$ 23,473	\$ 23,473	\$ -	\$ 127,023	18.48%
	2016	\$ 26,258	\$ 26,258	\$ -	\$ 142,165	18.47%
	2017	\$ 23,498	\$ 23,498	\$ -	\$ 127,224	18.47%
	2018	\$ 11,564	\$ 11,564	\$ -	\$ 63,434	18.23%
	2019	\$ 13,523	\$ 13,523	\$ -	\$ 77,919	17.36%
	2020	\$ 13,430	\$ 13,430	\$ -	\$ 79,335	16.93%
Tier 2 Public Employees System*	2011	\$ -	\$ -	\$ -	\$ -	0.00%
	2012	\$ -	\$ -	\$ -	\$ -	0.00%
	2013	\$ -	\$ -	\$ -	\$ -	0.00%
	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	\$ 4,121	\$ 4,121	\$ -	\$ 25,637	16.07%
	2016	\$ 4,849	\$ 4,849	\$ -	\$ 32,521	14.91%
	2017	\$ 3,962	\$ 3,962	\$ -	\$ 26,570	14.91%
	2018	\$ 12,108	\$ 12,108	\$ -	\$ 80,135	15.11%
	2019	\$ 10,584	\$ 10,584	\$ -	\$ 68,179	15.52%
	2020	\$ 12,953	\$ 12,953	\$ -	\$ 82,736	15.66%

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

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

FERRON CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UTAH RETIREMENT SYSTEMS
For The Fiscal Year Ended June 30, 2020

Changes in Assumptions:

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

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is used to assist in formatting for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Ferron City
Ferron, Utah 84523

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-type activities, the business-type activities, each major fund and the aggregate remaining fund information of Ferron City, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Ferron City's financial statements, and have issued our report thereon dated September 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ferron City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ferron City's internal control. Accordingly, we do not express an opinion on the effectiveness of Ferron 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. We consider the deficiency described in the accompanying Finding and Recommendation as item 6.20.1 to be a significant deficiency in internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ferron 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

Ferron City's response to the finding identified in our audit is described in the accompanying Finding and Recommendation. We did not audit the County's response and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing or 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.

Kimball & Roberts, PC

Certified Public Accountants

September 2, 2020
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

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

Honorable Mayor and City Council
Ferron City
Ferron, Utah 84523

Report on Compliance with General State Compliance Requirements

We have audited Ferron City's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

Budgetary Compliance	Open and Public Meetings Act
Fund Balance	Fraud Risk Assessment
Utah Retirement Systems	Cash Management
Restricted Taxes and Related Revenues	Public Treasurer's Bond

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, Ferron City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct noncompliance with a state compliance requirement on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Kimball & Roberts, PC

Certified Public Accountants

September 2, 2020
Richfield, Utah

Kimball & Roberts

A Professional Corporation
Certified Public Accountants
176 North Main • P.O. Box 663
Richfield, Utah 84701

FINDING AND RECOMMENDATION

Honorable Mayor and City Council
Ferron City
Ferron, Utah 84523

During our audit of the financial statements of Ferron City for the fiscal year ended June 30, 2020, we found a circumstance that, if improved, would strengthen the City's accounting system and control over its assets. This item is discussed below for your consideration:

Significant Deficiencies Finding and Recommendation:

6.20.1 Material Misstatements

Condition:

The auditors identified several factors including various year-end adjustments and reclassifying entries had not been performed in a timely manner resulting in the need for several adjustments required to be made by management and proposed by the auditors during the audit process.

Criteria:

Management is responsible to correct material misstatements before the annual audit.

Cause:

The City's internal controls are not properly designed and implemented to prevent, detect and correct material audit adjustments prior to the annual audit.

Effect:

The lack of timely adjustments has resulted in misstatements in the general ledger and interim reports. The City's revenues and expenditures were misstated prior to adjustments made by the auditor.

Auditor's Recommendation:

We recommend that Management carefully review the audit adjustments and determine where improvements to internal control are needed. We recommend that the City develop an action plan to ensure that all account reconciliations are performed, and significant and material adjustments are posted to the general ledger before the annual audit takes place or interim reports are provided to the Mayor and City Council.

Honorable Mayor and City Council
Ferron City
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Ferron City's Response:

The City will communicate with Pelorus before the auditors come and make sure that all transfers and payments are made.

This report is intended solely for the information and use of Management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Kimball & Roberts, PC

Certified Public Accountants

September 2, 2020
Richfield, Utah

