

**City of Naples, Utah**  
**Annual Financial Report**  
**For the fiscal year ended**  
**June 30, 2022**



**City of Naples, Utah  
Table of Contents**

<b>FINANCIAL SECTION</b>	<b>Page #</b>
Independent Auditors' Report .....	2
Management's Discussion and Analysis .....	5
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	13
Statement of Activities .....	14
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds .....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund -Budget and Actual Comparison .....	19
Notes to the Financial Statements .....	20
<b>Required Supplementary Information</b>	
Schedule of the Proportionate Share of the Net Pension Liability .....	58
Schedule of Contributions.....	60
<b>Other Supplementary Information</b>	
Combining Balance Sheets - Other Governmental Funds .....	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds .....	64
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS SECTION</b>	
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 <i>Government Auditing Standards</i> .....	65
Independent Auditor's Report As Required by the <i>State Compliance Audit Guide</i> on Compliance with General State Compliance Requirements and Internal Control over Compliance .....	67
Schedule of Findings and Responses.....	70
Status of Prior Year Findings and Recommendations .....	71

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
The City of Naples, Utah

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Naples, Utah (the "City"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Naples, Utah, as of and for the fiscal year ended June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Redevelopment Agency Special Revenue Fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date that the financial

statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the

auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Crossroads Accounting Professionals, PLLC*

A handwritten signature in blue ink, appearing to be 'D. J. A.', is written over the printed name of the firm.

Vernal, Utah  
December 9, 2022

**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

Our discussion and analysis of the City of Naples financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2022. Please read this in conjunction with the City's Financial Statements.

**Purpose of Report**

This annual report consists of a series of financial statements, which follow uniform governmental accounting, financial, and auditing standards. The Government-wide Financial Statements consist of the Statement of Net Position and the Statement of Activities on pages 13 and 14. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. These statements tell how the City is financed in the short term as well as what remains for future spending. The Statement of Revenues, Expenditures, and Changes in Fund Balances on page 17, reports the City's operations in more detail by providing information about the City's most significant funding, expenditure, and revenue categories in more detail.

Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statement provides information about activities for which the City acts solely as an agent for the benefit of those outside the government.

**Financial Highlights**

The City of Naples' major business is the oil and gas industry. Commercial retail has started to develop along the Highway 40 corridor and hopefully can continue to grow. The Economy has picked up and sales and use tax has finally started to reverse trend and heading upwards. Naples and its Citizens are optimistic that things will be picking up.

**Reporting the City as a Whole**

The analysis of the City as a whole begins on page 13 and 14. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities provide an overview of the City as a whole and about its activities in a way that helps answer the above question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

These two statements report the City's net position and changes in them. You can think of the City's net position - the difference between the assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City. The statements indicate that the City is in good financial health.

**Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 15. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State Law or by Bond Covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes such as the capital projects road fund. The City's most significant fund is the General Fund. All of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine what resources are available to be spent in the near future to finance the City's programs.

**The City's Combined Net Position (Please refer to Table 1)**

Capital assets decreased about \$989,000 or 8% because current depreciation expense exceeded amounts expended for capital asset additions.

Current and other assets increased about \$1,119,000 or 11%. This is primarily due to an increase in cash and net pension asset.

Long-term liabilities decreased about \$304,000 or 15% due to payments made on long-term debt and lease liabilities as well as a large decrease in net pension liability.

Current liabilities increased about \$39,000 or 50% as the result of an overdrawn bank account, an increase in accounts payable and a repayment of building permit bond on a large project.

The City's net position increased about \$109,000 or 1% due to revenues exceeding expenses.

**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

**Table 1**  
**NET POSITION**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
Current and other asset	\$ 11,578,828	\$ 10,459,680	\$ 1,119,149	11%
Capital assets	12,006,565	12,995,190	(988,625)	-8%
Total assets	<u>23,585,394</u>	<u>23,454,870</u>	<u>130,523</u>	1%
Deferred outflow of resources	<u>151,395</u>	<u>125,233</u>	<u>26,162</u>	21%
Current liabilities	115,182	76,586	38,596	50%
Long-term liabilities	<u>1,689,483</u>	<u>1,993,460</u>	<u>(303,977)</u>	-15%
Total liabilities	<u>1,804,666</u>	<u>2,070,047</u>	<u>(265,381)</u>	-13%
Deferred inflows of resources	<u>778,108</u>	<u>464,672</u>	<u>313,436</u>	67%
Net position				
Net investment in capital assets	9,594,878	10,509,178	(914,300)	-9%
Restricted	7,611,607	7,384,044	227,563	3%
Unrestricted	<u>3,947,530</u>	<u>3,152,163</u>	<u>795,368</u>	25%
Total net position	<u>\$ 21,154,015</u>	<u>\$ 21,045,385</u>	<u>\$ 108,631</u>	1%

**The City's Changes in Net Position (Please refer to Table 2)**

The City's total revenues increased about \$819,000 or 32% over the prior year's revenues. This is primarily due to an increase in sales tax revenues.

Expenses decreased about \$81,000 or 2% over the prior year.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**



**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

**Table 2**  
**CHANGES IN NET POSITION**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
<b>Program Revenues:</b>				
Charges for services	\$ 41,668	\$ 50,758	\$ (9,090)	-18%
Operating grants and contributions	308,546	312,680	(4,134)	-1%
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes	87,369	87,187	182	0%
Sales taxes	2,326,481	1,579,392	747,089	47%
Franchise taxes	201,175	189,940	11,236	6%
Transient rooms tax	23,981	10,137	13,844	137%
Licenses and Permits	78,895	65,493	13,402	20%
Unrestricted Investment Earnings	48,855	45,968	2,887	6%
Net increase (decrease) in fair value of investments	170,531	99,772	70,759	71%
Miscellaneous	84,883	75,842	9,041	12%
Gain (loss) on sale/disposal of assets	(5,762)	30,000	(35,762)	-119%
Total revenues	<u>3,366,621</u>	<u>2,547,169</u>	<u>819,452</u>	32%
<b>Expenses</b>				
General government	684,843	736,168	(51,325)	-7%
Public safety				
Police	873,487	681,689	191,798	28%
Fire	150,042	183,239	(33,197)	-18%
Other	90,275	235,548	(145,272)	-62%
Highways and public improvements	1,247,166	1,405,242	(158,076)	-11%
Parks, recreation and public property	200,603	85,567	115,036	134%
Interest and fiscal charges on long-term debt	<u>11,574</u>	<u>11,993</u>	<u>(419)</u>	-3%
Total expenses	<u>3,257,991</u>	<u>3,339,445</u>	<u>(81,455)</u>	-2%
<b>Change in net position</b>	108,631	(792,277)	900,907	-114%
<b>Net position – beginning</b>	<u>21,045,385</u>	<u>21,837,661</u>	<u>(792,277)</u>	-4%
<b>Net position – ending</b>	\$ 21,154,015	\$ 21,045,385	\$ 108,631	1%

The Statement of Activities shown on page 14 presents the cost of each of the City's largest programs and compares total costs less revenues generated by the activities. The cost shows the financial burden that was placed on the City's taxpayers by each of these functions and the amount generated by property taxes, sales taxes, and franchise taxes levied to pay for these functions.

**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

**The City's Funds**

As the City completed the year, its governmental funds as presented on the Balance Sheet on page 15, report a combined fund balance of \$10,749,830, which is an increase of about \$798,000 compared to the prior year. The increase is due to a reduction of expenditures exceeding revenues reductions.

**Redevelopment Agencies**

The City has two Redevelopment Agencies (RDA), RDA 1 and RDA 1500 South. The larger agency, RDA 1, was set up in the early 1980's for the purpose of leveling the blight conditions at the economy's bust of the mining industries. Due to the past bust, the agencies received little income, but plan to provide the necessary infrastructure in the respective jurisdictions to help elevate the blight conditions and encourage a "Down Town" commercial development. The RDA 1 will fund a Retail Outlet to get the Down Town started. RDA 1 has matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects. The RDA 1500 will fund a Retail Outlet to get the Down Town started. RDA 1500 has matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects.

**General Fund Budgetary Highlights**

*Final budget compared to original budget*

Over the course of the year, the City Council opened and amended the City budget a few times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect actual beginning balances. The second category includes changes that the Council made during the third quarter to take into account several increases in appropriations to prevent budget overruns. The third category includes the allocation of specific grant revenues.

The most significant differences between the original budget and final budget is the increase in sales and use tax. The Economy seems to be picking up and people seem to be spending more. People are still afraid to enter the work force, so it will be important to follow the economic trends

*Final budget compared to actual results.*

The most significant differences between the final budget and the actual revenues were as follows:

<b>Revenue Source</b>	<b>Estimated Revenues</b>	<b>Actual Revenues</b>	<b>Difference</b>
Sales and use taxes	\$ 2,150,000	\$ 2,322,278	\$ 172,279
Miscellaneous	32,130	84,883	52,753

**City of Naples, Utah**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2022**

*Transfers*

Surplus revenues from the prior year in the general fund were transferred to capital projects funds to partially fund construction projects and equipment purchases, and to the debt service fund to provide for debt retirement.

**Capital Asset and Debt Administration**

*Capital Assets* (Please Refer to table 3 below)

At the end of FY 2022 the City had a net investment of \$12,006,565 in a broad range of capital assets, including police equipment, fire equipment, buildings, park facilities, and roads.

**Table 3**  
**Capital Assets at Year-end**  
**(Net of Depreciation)**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 633,248	\$ 633,248	\$ -	0%
Streets, sidewalks and bridges	5,870,620	6,788,013	(917,392)	-14%
Equipment	189,960	131,131	58,829	45%
Improvements	1,760,731	1,849,844	(89,113)	-5%
Buildings	3,413,372	3,571,640	(158,269)	-4%
Construction in progress	138,635	21,315	117,320	550%
Total	<u>\$ 12,006,565</u>	<u>\$ 12,995,190</u>	<u>\$ (988,625)</u>	-8%

**Debt Administration**

The State limits the amount of debt that cities can carry to 4% of the assessed value of all taxable property within the City's corporate limits. The City has no general obligation debt. However, Ashley Valley Water and Sewer District is a district that carries a considerable amount of general obligation debt for the upgrading of sewer and water within Naples City and Uintah County. This debt has an impact to the Naples City taxpayers. They pay the taxes to pay off these general obligation bonds and this should be considered as part of our tax obligation when we are discussing debt within Naples City.

**Table 4**  
**Outstanding Debt at Year-End**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>	<u>% Change</u>
Road Revenue Bonds Series 2009	\$ 252,000	\$ 295,000	\$ (43,000)	-15%
Sales Tax Revenue Bonds 2010	637,000	708,000	(71,000)	-10%
Revenue Bond 2015 - Fire Station	501,000	518,000	(17,000)	-3%
Police Vehicle Lease Obligation	249,805	310,450	(60,645)	-20%
Compensated Absences	49,678	47,681	1,997	4%
	<u>\$ 1,689,483</u>	<u>\$ 1,879,131</u>	<u>\$ (189,648)</u>	-10%

Annual payments for the respective bonds were made as scheduled.

**City of Naples, Utah  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2022**

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the 2023 budget, tax rates, and fees. One of those factors is the economy. The City is heavily impacted by the oil and gas industry. The revenues are very important to follow on a monthly bases. Revenue have increased all year long, this is a good sign, hopefully the economy is on it's way back. The Uintah Basin economy seem to fluctuate a lot. It will be important to monitor and make sure we're growing at a steady pace.

These indicators were taken into account when adopting the General Fund budget and looking for ways to increase the 2022/2023. The City has allowed a few streets and equipment to get behind. In this years Budget Naples plans on getting back on street up keep and purchasing a few small things. It is important to maintain and upkeep on equipment and Capital Projects.

**Contacting the City's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for money it receives. If you have questions about the report or need additional financial information, contact:

Treasurer's Office  
1420 East 2850 South  
Naples, Utah 84078  
Phone: 435-789-9090  
Fax: 435-789-9458

## **Basic Financial Statements**

**Naples City**  
**Statement of Net Position**  
**June 30, 2022**

**Page 13**

	<b>Governmental Activities</b>
<b>Assets:</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 2,706,905
Receivables:	
Sales Taxes	443,653
Property taxes	82,562
Franchise Taxes	15,854
Other governments	33,958
Prepaid expenses	637
Restricted cash	7,594,131
Long-term loans receivable	18,462
<i>Non-current assets:</i>	
Right-of-use Asset, net of accumulated amortization	197,731
Capital Assets not being depreciated	771,882
Capital Assets, net of accumulated depreciation	11,234,683
Net pension asset	484,937
<b>Total assets</b>	<b>23,585,394</b>
 <b>Deferred Outflows of resources</b>	
Deferred outflows related to pensions	151,395
 <b>Liabilities:</b>	
<i>Current Liabilities</i>	
Overdrawn Cash Accounts	28,449
Accounts payable	55,520
Employee wages, benefits and taxes payable	11,848
Accrued interest	5,865
Building permit bonds	13,500
<i>Noncurrent liabilities</i>	
Due within one year	192,436
Due in more than one year	1,497,047
<b>Total liabilities</b>	<b>1,804,666</b>
 <b>Deferred Inflows of Resources</b>	
Property tax revenue	76,908
Pensions	701,200
<b>Total deferred in-flows of resources</b>	<b>778,108</b>
 <b>Net Position</b>	
Net investment in capital assets	9,594,878
Restricted for:	
Rehabilitation loans	97,057
Debt service	870,187
Equipment purchase/replacement	199,855
Redevelopment	971,798
Road construction and maintenance	5,134,404
Class C Roads	253,437
ARPA Coronavirus Relief	85,855
Unrestricted	3,946,544
<b>Total net position</b>	<b>\$ 21,154,015</b>

The accompanying notes are an integral part of to these financial statements.

**Naples City**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

**Page 14**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<i>Governmental activities:</i>					
General government	\$ 684,843	\$ 15,386	\$ -	\$ -	\$ (669,457)
Public safety:					
Police	873,487	26,281	34,245	-	(812,961)
Fire	150,042	-	-	-	(150,042)
Other	90,275	-	-	-	(90,275)
Highways and public improvements	1,247,166	-	151,098	-	(1,096,068)
Parks, recreation and public property	200,603	-	-	-	(200,603)
Interest and fiscal charges on long-term debt	11,574	-	123,203	-	111,629
<b>Total City</b>	<b>\$ 3,257,991</b>	<b>\$ 41,668</b>	<b>\$ 308,546</b>	<b>\$ -</b>	<b>(2,907,777)</b>
<b>General Revenues</b>					
Property taxes levied for					
General purposes					87,369
Sales and use taxes					2,326,481
Franchise and telecommunication taxes					201,175
Transient rooms tax					23,981
Licenses and permits					78,895
Gain (Loss) on sale/disposal of assets					(5,762)
Interest income					48,855
Net increase (decrease) in fair value of investments					170,531
Miscellaneous					84,883
Total general revenues					3,016,407
Change in net position					108,631
Net position - beginning					21,045,385
Net position - ending					\$ 21,154,015

The accompanying notes are an integral part of to these financial statements.

	General Fund	Capital Projects Roads Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 625,299	\$ 1,587,589	\$ 536,159	\$ 2,749,046
Sales tax receivable	443,653	-	-	443,653
Property taxes receivable	82,562	-	-	82,562
Franchise taxes receivable	15,854	-	-	15,854
Due from other governments	33,958	-	-	33,958
Prepaid Expenses	637	-	-	637
Restricted assets:				
Restricted cash	5,552,291	-	2,041,840	7,594,131
Long-term loans receivable	18,462	-	-	18,462
Total Assets	<u>\$ 6,772,715</u>	<u>\$ 1,587,589</u>	<u>\$ 2,577,999</u>	<u>\$ 10,938,303</u>
<b>Liabilities</b>				
Overdrawn Cash Account	\$ 28,449	\$ -	\$ -	\$ 28,449
Accounts payable	55,520	-	-	55,520
Accrued liabilities	11,848	-	-	11,848
Building permit bonds	13,500	-	-	13,500
Advances from grantors	-	-	-	-
Total Liabilities	<u>109,318</u>	<u>-</u>	<u>-</u>	<u>109,318</u>
<b>Deferred In-flows of Resources</b>				
Unavailable property taxes revenue	79,156	-	-	79,156
Total Deferred In-flows of Resources	<u>79,156</u>	<u>-</u>	<u>-</u>	<u>79,156</u>
<b>Fund Balances</b>				
Fund balance:				
Restricted for:				
Rehabilitation loans	97,057	-	-	97,057
Debt service	-	-	870,187	870,187
Equipment purchase/replacement	-	-	199,855	199,855
Redevelopment	-	-	971,798	971,798
Road construction & maintenance	5,134,404	-	-	5,134,404
Class C Roads	253,437	-	-	253,437
ARPA Coronavirus Relief	85,855	-	-	85,855
Committed for:				
Equipment replacement	-	-	120,973	120,973
Parks	-	-	415,186	415,186
Roads	-	1,587,589	-	1,587,589
Self Help Housing	85,500	-	-	85,500
Unassigned	927,989	-	-	927,989
Total fund balances	<u>6,584,241</u>	<u>1,587,589</u>	<u>2,577,999</u>	<u>10,749,830</u>
Total Liabilities, Deferred In-flows of Resources, & Fund Balances	<u>\$ 6,772,715</u>	<u>\$ 1,587,589</u>	<u>\$ 2,577,999</u>	<u>\$ 10,938,303</u>

The accompanying notes are an integral part of to these financial statements.



**Naples City****Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position****June 30, 2022****Page 16**

Total fund balances for governmental funds	\$ 10,749,830
<i>Total net position reported for governmental activities in the Statement of Net Position is different because:</i>	
The PTIF cash accounts fair value adjustments are not currently available and, therefore, are not reported in the governmental funds.	(42,142)
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the governmental funds.	12,006,565
Right-of-use assets used in governmental funds are not financial resources and, therefore, are not reported in the governmental funds.	197,731
The net pension asset resulting from pension assets exceeding pension liabilities is not an available resource and, therefore is not reported in the governmental funds.	484,937
Deferred outflows of resources related to pensions are not currently available and, therefore, are not reported in the governmental funds.	151,395
Long-term liabilities that pertain to governmental funds, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.	(1,695,348)
Property taxes levied for the current and prior year not received within 60 days of the year end are not recognized in the governmental funds: but are recorded as income in the government-wide financial statements.	2,248
Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not recorded in the governmental funds.	(701,200)
Total net position of governmental activities	<u><u>\$ 21,154,015</u></u>

## Naples City

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental  
For the Year ended June 30, 2022

Page 17

	General Fund	Capital Projects Roads Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Sales and use taxes	\$ 2,326,481	\$ -	\$ -	\$ 2,326,481
Franchise and telecommunication taxes	201,175	-	-	201,175
Property taxes	79,915	-	-	79,915
Fee in-lieu of taxes	7,588	-	-	7,588
Transient room taxes	23,981	-	-	23,981
Licenses and permits	78,895	-	-	78,895
Intergovernmental revenue	308,546	-	-	308,546
Fees and charges for services	15,386	-	-	15,386
Fines and forfeitures	26,281	-	-	26,281
Interest income	28,551	5,759	14,545	48,855
Miscellaneous	84,883	-	-	84,883
<b>Total Revenues</b>	<b>3,181,683</b>	<b>5,759</b>	<b>14,545</b>	<b>3,201,987</b>
<b>Expenditures</b>				
Current:				
General government	651,748	-	50	651,798
Public safety:				
Police	814,452	-	-	814,452
Other	90,275	-	-	90,275
Highways and public improvements	200,636	986	-	201,622
Parks, recreation and public property	143,877	-	-	143,877
Capital outlay:				
Highways and public improvements	100,044	198,296	12,821	311,160
Debt service				
Principal	-	-	131,000	131,000
Interest	4,582	-	7,770	12,352
Lease right-of-use asset	47,534	-	-	47,534
<b>Total Expenditures</b>	<b>2,053,148</b>	<b>199,282</b>	<b>151,641</b>	<b>2,404,070</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>1,128,535</b>	<b>(193,523)</b>	<b>(137,096)</b>	<b>797,916</b>
<b>Other Financing Sources (Uses)</b>				
Transfers	(648,183)	501,688	146,495	-
<b>Total Other Financing Sources (Uses)</b>	<b>(648,183)</b>	<b>501,688</b>	<b>146,495</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>480,352</b>	<b>308,165</b>	<b>9,399</b>	<b>797,916</b>
Fund Balance - Beginning of Year	6,103,889	1,279,424	2,568,599	9,951,913
Fund Balance - End of Year	<u>\$ 6,584,241</u>	<u>\$ 1,587,589</u>	<u>\$ 2,577,999</u>	<u>\$ 10,749,830</u>

The accompanying notes are an integral part of to these financial statements.

**Naples City**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2022**

**Page 18**

**Net change in fund balances - total governmental funds** \$ 797,916

*Amounts reported for governmental activities in the statement of activities are different because:*

Property taxes levied for the current year not received within 60 days of the year end are not recognized in the governmental funds; but are recorded as income in the statement of activities. (134)

The change in the fair value of PTIF accounts (73,463)

The change in the net pension asset is not reported in the funds 243,994

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets (including contributed assets) with an initial, individual cost of \$5,000 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. When such assets are sold, gain or loss is reported in the statement of activities for the difference between the undepreciated cost and the sales price. In the governmental funds statement of revenues, expenditures, and changes in fund balances the full amount received from the sale of capital assets is reported as income when it is received or due. The differences are summarized as follows:

Capitalized asset acquisitions	\$ 311,160	
Undepreciated cost of disposed assets	(5,762)	
Depreciation expense	<u>(1,294,023)</u>	(988,625)

Governmental funds report lease expenditures when the payments are made. In the statement of activities the lease is amortized over the life of the lease and reported as amortization expense, regardless of when it is due. Lease arrangements are reported as additions to liabilities and payments allocated between interest expenditures and principal reductions to liabilities in the statement of net assets. Changes in the net lease liability are not reported in the funds. The net effect of these differences in the treatment of leases is as follows:

Lease principal paid	60,645	
Amortization expense: Right-of-use asset	<u>(61,483)</u>	(838)

Governmental funds report the proceeds from bond issues as other financing resources, and repayments of revenue and special assessment bond principal and the related interest as expenditures when the payments are due. In the statement of activities interest on revenue bonds is reported as expense as it accrues, regardless of when it is due. Bond issues are reported as additions to liabilities and principal payments are reported as reductions to liabilities in the statement of net assets. Changes in the net pension liability are not reported in the funds. The net effect of these differences in the treatment of revenue bonds and related interest and pension liabilities is as follows:

Revenue bonds issued		
Debt principal payments	131,000	
Interest expense - adjustment to accrual basis	778	
Change in net pension liability	<u>-</u>	131,778

Governmental funds report compensation for employee absences when such amounts become due. In the statement of activities that expense is accrued as the benefit is earned by employees.

Compensated absences - adjustment to accrual basis	(1,997)
--	---------

<b>Change in net position of governmental activities</b>	<b><u>\$ 108,631</u></b>
--	--------------------------

**Naples City**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund**  
**Budget and Actual Comparison**  
**For the Year ended June 30, 2022**

**Page 19**

	<b>Budgeted Amounts</b>			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Sales and use taxes	\$ 1,526,000	\$ 2,150,000	\$ 2,322,278	\$ 172,278
Franchise and telecommunication taxes	205,000	205,000	201,175	(3,825)
Property taxes	84,607	76,952	79,915	2,963
Fee in-lieu of taxes	8,000	5,000	7,588	2,588
Transient room tax	12,000	20,000	23,981	3,981
Licenses and permits	59,380	73,300	78,895	5,595
Intergovernmental revenue	425,379	329,464	312,748	(16,716)
Fees and charges for services	8,600	11,600	15,386	3,786
Fines and forfeitures	30,200	30,700	26,281	(4,419)
Interest income	40,000	35,000	28,551	(6,449)
Miscellaneous	52,500	32,130	84,883	52,753
<b>Total revenues</b>	<b>2,451,666</b>	<b>2,969,146</b>	<b>3,181,683</b>	<b>212,537</b>
<b>Expenditures:</b>				
General government				
Legislative	66,490	65,002	61,930	3,072
Justice Court	3,000	3,500	486	3,014
City Administrator	245,428	220,179	205,004	15,175
Treasurer	15,500	18,300	20,978	(2,678)
Recorder	103,878	104,536	102,164	2,372
Elections	4,000	4,000	3,514	486
City Attorney	94,633	94,633	92,984	1,649
Independent Auditor	14,000	14,000	12,000	2,000
Liability Insurance	40,290	40,290	29,626	10,664
General Government Buildings	63,930	63,200	60,919	2,281
Supplies/Equipment	23,500	23,500	16,108	7,392
Planning and Zoning	26,500	17,500	3,901	13,599
Boards and Commissions	100	100	100	-
Education and Promotion	47,246	47,250	42,033	5,217
Public safety				
Police Department	845,716	944,086	866,567	77,519
Central Dispatch	33,553	-	-	-
Fire Protection	5,000	5,000	-	5,000
Emergency Preparedness	2,161	125,361	36,915	88,446
Building Inspector	53,956	54,506	53,360	1,146
Highway and public improvements				
Highways	168,229	281,629	266,547	15,082
Street Lights	30,000	35,500	34,133	1,367
Parks, recreation and public property				
Parks	141,737	158,888	143,877	15,011
<b>Total expenditures</b>	<b>2,028,847</b>	<b>2,320,960</b>	<b>2,053,148</b>	<b>267,812</b>
Excess of revenues over (under) expenditures	422,819	648,186	1,128,535	(480,349)
<b>Other financing sources (uses)</b>				
Transfer to other funds	(190,601)	(648,186)	(648,183)	3
Total other financing sources (uses)	(190,601)	(648,186)	(648,183)	3
Excess of revenues and other sources over (under) expenditures and other uses	232,218	-	480,352	(480,346)
<b>Fund Balance - Beginning</b>	<b>6,103,889</b>	<b>6,103,889</b>	<b>6,103,889</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,336,107</b>	<b>\$ 6,103,889</b>	<b>\$ 6,584,241</b>	<b>\$ (480,352)</b>

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Naples (the City) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Naples, Utah
Blended Component Units:	Naples Redevelopment Agency Naples 1500 South Redevelopment Agency Municipal Building Authority

In determining the financial reporting entity, the City complies with the provisions of GASB Codification Sections 2100 and 2600, and includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit; or a financial benefit or burden relationship exists.

None of the component units have issued separate financial statements.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL REPORTING ENTITY (continued)**

**Blended Component Units**

Component units that are blended into the reporting activity types of the City's report are presented below:

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Naples Redevelopment Agency	Created January 19, 1983, to accumulate resources and fund redevelopment improvements in its area as provided for in the <i>Utah Neighborhood Development Act</i> . The current City Council serves as the entire governing body. This RDA has matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects.	Special Revenue Fund
Naples 1500 South Redevelopment Agency	Created October 13, 1992, to accumulate resources and fund redevelopment improvements in its area as provided for in the <i>Utah Neighborhood Development Act</i> . The current City Council serves as the entire governing body. This RDA has matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects.	Special Revenue Fund
Municipal Building Authority	Created in June 2015, to accumulate resources to fund the construction of a new fire station. Since the fire station has been placed in service, it is now used to retire the associated debt. The current City Council serves as the entire governing body.	Debt Service

**BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities; however, since the City has no business type activities only governmental activities are shown. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF PRESENTATION (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those 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*.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. (Since the City has no proprietary funds, that category is eliminated.) An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Since the City has no enterprise funds this 5% rule is not applicable.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF PRESENTATION (continued)**

*Special Revenue Funds*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Debt Service Funds*

Debt service funds account for the accumulation of financial resources for the payment of interest and principal on the long-term debt of the City. The City has revenue bonds outstanding.

*Capital Projects Funds*

Capital projects funds are used to accumulate and expend resources for acquisition or construction of capital assets. The City has six capital projects funds.

**Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Agency funds are custodial in nature (i.e., assets equal liabilities); they do not involve the measurement of results of operations. The agency fund is as follows:

*Justice Court Fund*

Accounts for fines and forfeitures collected by the Justice Court for other government agencies, and for bail bonds posted by individuals waiting for court dates.

**Major and Non-major Funds**

The funds are further classified as major or non-major as follows:

**Major Funds:**

<u>Classification</u>	<u>Brief Description</u>
<b>General Fund</b>	See above for description
<b>Capital Projects</b>	
Roads	Accumulates resources from government grants and transfers from general fund and constructs improvements to roads, bridges and related structures.



**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF PRESENTATION (continued)**

**Non-Major Funds:**

<u>Classification</u>	<u>Brief Description</u>
<b>Special Revenue</b>	
Naples Redevelopment Agency	Accumulates resources and funds redevelopment improvements within its area.
Naples 1500 South Redevelopment Agency	Accumulates resources and funds redevelopment improvements within its area.
<b>Debt Service</b>	
Debt Service	Accumulates resources and pays principal and interest on revenue bonds.
Municipal Building Authority	Accumulated resources to fund the construction of a new fire station. Subsequent to the fire station being placed in service it is now used to retire the associated debt.
<b>Capital Projects</b>	
Municipal Building Fund	Accumulates resources from governmental grants, private contributions, and transfers from the general fund to construct and/or make improvements to the City's buildings.
Equipment Replacement Fund	Accumulates resources from government grants, private contributions, and transfers from general fund and constructs capital improvements to the City's equipment.
Vitalization Fund	Accumulates resources from governmental grants, private contributions, and transfers from the general fund to promote the vitalization of the City's Commercial, Industrial and Residential neighborhoods.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BASIS OF PRESENTATION (continued)**

<u>Classification</u>	<u>Brief Description</u>
Parks	Accumulates resources from government grants, private contributions, and transfers from general fund and constructs capital improvements to the City's parks.
Assets Acquisition	Accumulates resources from government grants and transfers from general fund and purchases capital assets for the City's use.

Funds classified as *major* are separately reported in the fund financial statements, whereas funds classified as *nonmajor* are combined and reported in a single column.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the *economic resources* measurement focus as defined in item b. below.

In the fund financial statements, the *current financial resources* measurement focus is used.

a. All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The government-wide financial statements utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Equity is classified as net position.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when *measurable and available*. *Measurable* means knowing or being able to reasonably estimate the amount. *Available* means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for bond principal and interest which are reported when due.

**ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, *cash* includes all demand and savings accounts of the City.

Investments in the Public Treasurers' Investment Fund (PTIF) are reported at fair value. Changes in the fair value are reported as "net increase (decrease) in fair value of investments." Additional cash and investment disclosures are presented in Note 3.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. No allowance for uncollectible accounts receivable has been recorded since collection of the accounts is substantially certain. In the fund financial statements receivables not collected within 60 days after year-end are not recorded as revenue, but are deferred. Major receivable balances for the governmental activities include sales taxes, property taxes, franchise taxes, grants and revenue allotments from other governmental entities.

**Restricted Assets**

Restricted assets include cash restricted by grantors/donors for roads, parks, rehabilitation loans and equipment replacement, by developers for drainage projects, and by bond resolutions for payment of long-term debt. Special assessment receivables are restricted for payment of special assessment bonds. And long-term rehabilitation loans, when collected, may only be used to fund future rehabilitation loans.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)**

**Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets are accounted for as capital assets. The City considers individual assets (equipment, buildings, other real estate, or improvements to real estate, and infrastructure) with an acquisition cost or estimated value of \$5,000 or greater with a useful life exceeding one year to be capital assets. All capital assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets (streets, sidewalks and bridges) were not capitalized. Certain of these assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

•	Buildings	20-40 years
•	Improvements	10-40 years
•	Machinery and equipment	5-10 years
•	Streets, sidewalks and bridges	10-50 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Long-term Debt**

The accounting for long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental resources are reported as liabilities in the government-wide financial statements. The long-term debt consists of revenue bonds, capital leases, and accrued compensated absences.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)**

Long-term debts for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

**Compensated Absences**

The City's policies regarding vacation and compensatory time permit employees to accumulate earned but unused vacation and compensatory leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. The City has adopted early implementation of GASB 101.

**Deferred Inflows of Resources and Deferred Outflows of Resources**

Property taxes received or receivable for future periods and prepaid rental income are reported as deferred inflows of resources.

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

**Equity Classifications**

*Government-wide Statements*

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

- a. 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 does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)**

*Fund Statements*

The City follows Statement No. 54 of the Governmental Accounting Standards Board- Fund Balance Reporting and Governmental Fund Type Definitions.

Governmental fund equity is classified as fund balance. Fund balance is further classified as *nonspendable, restricted, committed, assigned, or unassigned*.

The 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.

The restricted fund balance classification includes amounts where constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the city's highest level of decision-making authority, the city council. Those committed amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action (resolution or ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

The assigned fund balance classification includes amounts that are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. The authority to make an assignment may be delegated by the city council to a committee or a city official. Furthermore, the nature of the actions necessary to make, remove or modify an assignment is not as prescriptive as it is with regard to the committed fund balance classification.

The 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. If funds other than the general fund incur a deficit fund balance the negative residual amounts are also classified as unassigned fund balance.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**ASSETS, LIABILITIES, DEFERRED IN-FLOWS OF RESOURCES AND EQUITY (continued)**

**Expenditure of Restricted, Committed, Assigned, and Unassigned Resources**

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Similarly, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be used the city first expends committed resources, followed by assigned resources before spending unassigned resources.

**Minimum and Maximum Fund Balance Requirements**

The *Utah Code* requires that appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. Deficits in any fund are illegal.

Cities may accumulate fund balances in any fund. However, the unrestricted (committed, assigned, or unassigned) portion of the general fund may not exceed 25% of the total estimated revenue of the general fund. Furthermore, only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance.

**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) including additions to and 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. (See Note 9.)

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**REVENUES, EXPENDITURES, AND EXPENSES**

**Sales Taxes**

The City levies a one percent sales tax on taxable sales within the City, and a one percent use tax on personal property purchased outside the City limits, but used or consumed within the City. In November 2007 voters approved a 0.25% highways sales and use tax that became effective April 1, 2008. The rate was increased to 0.30% effective April 1, 2010. A city option tax of 0.20% became effective July 1, 2016. The taxes are collected by the Utah State Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is due one to three months after vendors collect the tax. Sales and use taxes are reported in the General Fund and are used by the City without restriction, except that the highways sales and use tax may only be used for road construction and maintenance or the payment of debt incurred for road construction. Sales and use taxes collected by the Tax Commission in June and July and received by the City in July and August have been accrued and are included under the caption *sales taxes receivable*.

**Franchise Taxes**

The City levies a franchise tax on cable television and electric utilities, a telecommunications sales tax on telephone utilities, and a municipal energy sales tax on natural gas utilities within the City. The utility companies remit the taxes directly to the City, except for municipal telecom franchise taxes, which are remitted through the Utah State Tax Commission. Taxes are reported in the General Fund and are used without restriction. Taxes received by the City in July and August for the month of June or prior months are accrued.

**Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable on November 30. Uintah County bills and collects property taxes for all taxing districts within the County. Collections are periodically apportioned to the City with final settlement being made on March 31 of the subsequent year. In the fund financial statements, property taxes are recorded as revenue in the year for which they were levied to the extent they are collected within 60 days after year-end. In the government-wide financial statements additional accrual is made for the delinquent taxes reported by the Uintah County Treasurer that were not received within 60 days after year-end. In addition to the City's property tax levy for the General Fund, the two Naples Redevelopment Agencies previously received property taxes based on the incremental value of assessed properties within the agency. The General Fund property taxes may be used without restriction. The redevelopment agency's property taxes are restricted to use within the redevelopment agency.

Beginning January 1, 1992, there was a levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000



**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**REVENUES, EXPENDITURES, AND EXPENSES (continued)**

pounds or less subject to an “age-based” fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee are distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fee as revenue when the County collects it. Property taxes receivable include both property taxes and fees in-lieu of property taxes.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, governmental funds expenditures are classified by character: current (further classified by function), debt service, and capital outlay. Governmental funds report expenditures of financial resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as Interfund transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

**FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<b>Fund</b>	<b>Required By:</b>
Naples Redevelopment Agency	State Law
Naples 1500 South Redevelopment Agency	State Law
Debt Service Fund	Bond Resolution
Capital Projects: Assets Acquisition	Grant Agreement
Municipal Building Authority	Bond Resolution

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

Deposits and investments for the local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council").

**REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from federal, state, and local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
"C" Road Allotment	Highways and Streets
State Liquor Tax	Liquor Law Enforcement
Rehabilitation Loan Payments	Rehabilitation Loans
Property Taxes	Redevelopment Projects
Highways sales and use taxes	Road construction /maintenance
Grants from State and federal agencies	As specified within the respective grant documents

For the year ended June 30, 2022, the City complied, in all material respects, with these revenue restrictions.

**DEBT RESTRICTIONS AND COVENANTS**

The *Constitution of Utah, Article XIV* limits the amount of general obligation debt the City may issue to four percent of the fair market value of taxable property in its jurisdiction, plus up to an additional eight percent for the purpose of supplying the City with water, sewer or electricity when such public works are owned and controlled by the municipality, and requires the proposition to create general obligation debt be submitted to a vote of qualified electors. The city currently has no general obligation debt.

The *Constitution* allows the City to issue revenue bonds and special assessment bonds. The City has issued the following bonds. Each of the bond issues has certain sinking fund requirements as explained below.

**Road Revenue Bond Series 2009**

The City issued Sales Tax Revenue Bonds Series 2009 on February 24, 2009 for the purpose of partially funding improvements to city streets. The bonds are payable from sales taxes received by the City. The bonds mature in ten (10) annual payments beginning April 1, 2019 with no interest.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**DEBT RESTRICTIONS AND COVENANTS (continued)**

The bond resolution for the Sales Tax Revenue Bonds Series 2009 requires quarterly deposits of 1/4 the annual bond payment into a sinking fund beginning August 10, 2018.

Deposits are due January 10, April 10, July 10, and October 10 to service the bond payment due on April 1.

The bond resolution also requires quarterly deposits of \$1,792 beginning September 10, 2018 into a reserve fund until a balance of \$43,000 is accumulated and maintained until the final bond payment. Deposits are due January 10, April 10, July 10, and October 10.

As of June 30, 2022 the City had deposited funds totaling \$43,000 each into the sinking fund and reserve fund. These deposits equal or exceeded the required amounts.

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2009 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$86,000. The City has complied with this requirement.

**Taxable Transportation Sales Tax Revenue Bonds Series 2010**

The City issued Taxable Transportation Sales Tax Revenue Bonds Series 2010 on November 2, 2010 for the purpose of partially funding the construction of road improvements. The bonds are payable from the City's Highway Sales and Use Tax. The bonds mature in ten (20) annual payments beginning January 1, 2012 with no interest.

The bond resolution for the Taxable Transportation Sales Tax Revenue Bonds Series 2010 requires monthly deposits of 1/12 the annual bond payment into a sinking fund beginning January 10, 2011. Deposits are due on or before the tenth day of each month to service the bond payment due on January 1.

The bond resolution also requires monthly deposits of \$986 beginning January 10, 2011 into a reserve fund until a balance of \$71,000 is accumulated and maintained until the final bond payment. Deposits are due on or before the tenth day of each month.

As of June 30, 2022 the City had deposited funds totaling \$71,000 each into the sinking fund and the reserve fund. These deposits equal or exceeded the required amounts.

The City covenanted that the average annual installments of principal on the Taxable Transportation Sales Tax Revenue Bonds Series 2010 and all bonds on parity therewith will not exceed 80% of the total amount of the revenues received by the City during the Sinking Fund Year immediately preceding the Sinking Fund Year in which the Resolution was adopted. The City complied with this requirement.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**DEBT RESTRICTIONS AND COVENANTS (continued)**

The City also covenanted that every officer, agent, or employee having custody or control of any of the revenues or of the proceeds of the Series 2010 Bonds shall be bonded by a responsible corporate surety in an amount not less than \$142,000. The City has complied with this requirement.

**Lease Revenue Bond Series 2015**

The City issued Lease Revenue Bond Series 2015 on June 30, 2015 for the purpose of partially financing the cost of constructing a fire station and related improvements, and paying necessary expenses incidental thereto. The bond is payable from the project's lease revenue which is received annually. The bonds mature in thirty (30) annual payments beginning March 1, 2017 with interest of 1.50%.

The bond resolution also requires annual deposits of \$4,246 into a reserve fund for six years until a balance of \$25,475 is accumulated and maintained until the final bond payment. Deposits are due March 1 of each year starting March 1, 2017.

As of June 30, 2022 the City had deposited funds totaling \$48,016 into the sinking fund and \$25,475 into the reserve fund. These deposits equal or exceeded the required amounts.

**PURCHASING REQUIREMENTS**

The Utah Uniform Fiscal Procedures Act for Cities requires cities to adopt an ordinance or resolution governing purchasing procedures, and requires that purchases be made in accordance with the established purchasing procedures. The City has adopted the required ordinance and follows those procedures.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**BUDGETARY PROCEDURES AND COMPLIANCE**

The *Utah Code, Section 10-6* requires that all City expenditures be made only from amounts appropriated in a legally adopted budget. The budgetary compliance level in the general fund is each department. The budgetary compliance level in all other City funds is the fund total. An annual budget is to be adopted for each governmental fund and may be amended as follows:

- Prior to May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is reviewed, revised and tentatively adopted by the City Council prior to public hearing.
- A public hearing is conducted to obtain taxpayer comments after which the final budget is adopted.
- The City Council is authorized to transfer budgeted amounts between departments within the general fund by resolution; however, the budget of any governmental fund may only be increased after the proper public hearing.

For the fiscal year ended June 30, 2022 expenditures in most of the departments of the general fund and in the other funds were within budget allotments. The total expenditures that were in excess of budget amounts for the departments that were over budget were within the allowable materiality threshold.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**TRUTH IN TAXATION AND PROPERTY TAX LIMITATIONS**

The *Utah Code 59-2-912* requires the City Council to adopt, on or before June 22 of each year, a proposed property tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate for the City. The City reports the rate and levy to the county auditor.

If the City Council proposes a tax rate exceeding the certified tax rate, the following requirements specified by *Utah Code 59-2-919 and 920* must be met:

- The City must notify the county that it will hold a tax increase hearing on the date previously set. The county must include the information on the proposed increase and the date and time of the hearing in its *Notice of Valuation and Tax Changes*. This notice must be mailed at least ten days prior to the hearing date
- The City must advertise its intent to exceed the certified tax rate in a newspaper of general circulation in the county. The advertisement must appear once each week for the two weeks preceding the hearing. The date of the advertisement must be at least 7 days prior to the hearing.
- The advertisement must be at least a quarter page in size and must not be placed in the portion of the newspaper where legal notices and classified advertising appear. The type used shall not be less than 18, and shall be surrounded by a 1/4 inch border.
- A public hearing must be held at the date and time advertised.
- The City Council must adopt an ordinance or resolution setting the tax rate and certify that rate to the county auditor.

The City Council adopted the certified rate for tax year 2022, and complied in all other respects with law.

**FUND BALANCES**

**Deficit Fund Balances**

*Utah Code 10-6-117(1)* states that appropriations in the final budgets may not be made for any fund in excess of the estimated expendable revenues for the budget year. In other words, deficits in any fund are illegal.

As of June 30, 2022 all the City's funds had positive fund balances.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**Limits on Fund Balances**

Utah cities may accumulate fund balances in any fund. However, *Utah Code 10-6-116* provided minimum and maximum fund balance limitations for the general fund. Only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25% of the total estimated revenue of the general fund.

As of June 30, 2022 the unrestricted general fund balance was within the specified limitations.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City's policies and applicable laws regarding deposits of cash and investments are discussed in Notes 1 and 2.

**Custodial Credit Risk**

*Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2022, the carrying amount of the City's bank balances totaled \$142,607 not including an overdrawn amount of \$28,449 and the bank balance was \$199,972, of which \$0 was uninsured.

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The city's fair value of its position in the pool is the same as the value of the pool shares. At year-end account balances are adjusted for any unrealized increase or (decrease) in fair value.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

At June 30, 2022, the local government had investments of \$10,200,320 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the fund to be invested.

**Fair Value of Investments**

The City of Naples measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). 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 those in Level 1; and
- Level 3: Unobservable inputs.

Debt and equity securities classified as 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: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

At June 30, 2022, the City of Naples had a recurring fair value measurement in the PTIF account of \$10,158,178.



**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

**Reconciliation to Government-wide Statement of Net Position**

Demand deposits	\$ 142,607
Cash on hand	250
Investments in external investment pool	9,370,175
Total Cash and investments	<u>\$ 10,343,177</u>
Cash and investments	\$ 2,707,891
PTIF Fair Value Adjustment	42,142
Restricted cash	7,593,145
Agency fund cash	-
Total	<u>\$ 10,343,177</u>

**Restricted Cash**

Certain funds have been placed in separate cash or investment accounts for the following restricted purposes:

General Fund	
Road construction and maintenance	\$ 5,387,841
ARPA Coronavirus Relief	85,855
Rehabilitation loans not distributed	78,594
Other Governmental Funds	
Municipal Building Authority	492,810
Redevelopment	971,798
Equipment purchase/replacement	199,855
Debt Service	377,377
Total Restricted Cash	<u>\$ 7,593,145</u>

**NOTE 4 - LONG-TERM LOANS RECEIVABLE**

The City received federal grant funding for its Rehabilitation Loan Program. The City used the grant to fund loans for qualified low-income residents to renovate their homes. The loans are payable monthly at no or varying low rates of interest. The City makes additional loans to other qualified residents as funds become available from repayments on previous loans. At June 30, 2022, loans receivable totaled \$18,462. Funds available for future loans at June 30, 2022 totaled \$78,594. The total of loans receivable and program cash on hand, \$97,057, is reported in the Statement of Net Position as restricted for rehabilitation loans.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 633,248	\$ -	\$ -	\$ 633,248
Construction in Process	21,315	117,320	-	138,635
Total Capital assets, not being depreciated	<u>654,562</u>	<u>117,320</u>	<u>-</u>	<u>771,882</u>
Capital assets, being depreciated				
Streets, sidewalks and bridges	21,510,410	-	-	21,510,410
Equipment	2,259,503	112,865	(5,762)	2,366,605
Improvements	3,474,142	80,976	-	3,555,117
Buildings	4,951,047	-	-	4,951,047
Total Capital assets, being depreciated	<u>32,195,102</u>	<u>193,840</u>	<u>(5,762)</u>	<u>32,383,180</u>
Less accumulated depreciation for:				
Streets, sidewalks and bridges	(14,722,398)	(917,392)	-	(15,639,790)
Equipment	(2,128,372)	(48,274)	-	(2,176,646)
Improvements	(1,624,297)	(170,089)	-	(1,794,386)
Buildings	(1,379,407)	(158,269)	-	(1,537,676)
Total accumulated depreciation	<u>(19,854,474)</u>	<u>(1,294,023)</u>	<u>-</u>	<u>(21,148,497)</u>
Total Capital assets, being depreciated, net	<u>12,340,628</u>	<u>(1,100,183)</u>	<u>(5,762)</u>	<u>11,234,683</u>
Capital assets, net	<u>\$ 12,995,190</u>	<u>\$ (982,863)</u>	<u>\$ (5,762)</u>	<u>\$ 12,006,565</u>

Depreciation expense for the year ended June 30, 2022 was the following:

General government	\$ 31,048
Public safety	
Police	10,664
Fire	150,042
Highways and public improvements	1,045,544
Parks, recreation, and public property	56,726
Total depreciation	<u>\$ 1,294,023</u>

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 6 – RIGHT-OF-USE ASSETS**

On August 20, 2020 the City entered into a lease agreement for the use of Police vehicles with Bancorp Bank. There are three payments of \$65,227 due annually beginning August 10, 2021 with a residual value requirement of \$126,000.

Right-of-use asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>
Governmental activities:				
Right-of-use assets, being amortized				
Equipment	310,450	-		310,450
Total Right-of-use assets, being amortized	310,450	-	-	310,450
Less accumulated amortization for:				
Equipment	(51,236)	(61,483)	-	(112,719)
Total accumulated amortization	(51,236)	(61,483)	-	(112,719)
Total Right-of-use assets, being amortized, net	259,214	(61,483)	-	197,731
Right-of-use assets, net	<u>\$ 259,214</u>	<u>\$ (61,483)</u>	<u>\$ -</u>	<u>\$ 197,731</u>

Amortization expense for the year ended June 30, 2022 was the following:

Public safety: Police \$ 61,483

The following is a summary of the lease agreements and changes:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
Police Vehicle Lease	310,450		(60,645)	249,805	61,436
Total	<u>\$ 310,450</u>	<u>\$ -</u>	<u>\$ (60,645)</u>	<u>\$ 249,805</u>	<u>\$ 61,436</u>

The combined aggregate amount of lease expenditure requirements (principal and interest) by year is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2023	\$ 62,263	\$ 2,964	\$ 65,227
2024	64,902	325	65,227
Total	<u>\$ 127,165</u>	<u>\$ 3,289</u>	<u>\$ 130,454</u>

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 7 - LONG-TERM DEBT**

The City's long-term debt is described in Note 1. The following is a summary of the debt agreements and changes in long-term debt:

	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year End</u>
Road Revenue Bonds Series 2009	\$ 424,000	0.00%	2028	\$ 252,000
Highway Sales Tax Revenue Bonds 2010	1,418,000	0.00%	2031	637,000
Lease Revenue Bond 2015 - Fire Station	600,000	1.50%	2046	501,000
Total governmental activities				<u>\$ 1,390,000</u>

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</u>	<u>Due Within One Year</u>
Road Revenue Bonds Series 2009	\$ 295,000	\$ -	\$ (43,000)	\$ 252,000	\$ 43,000
Highway Sales Tax Revenue Bonds 2010	708,000	-	(71,000)	637,000	71,000
Lease Revenue Bond 2015 - Fire Station	518,000	-	(17,000)	501,000	17,000
Compensated Absences	47,681	1,997 *	-	49,678	-
Total	<u>\$ 1,568,681</u>	<u>\$ 1,997</u>	<u>\$ (131,000)</u>	<u>\$ 1,439,678</u>	<u>\$ 131,000</u>

\* The change in compensated absences liability is presented as a net change.

The City's debt service fund pays the Road and CIB Bonds as they become due. The Municipal Building Authority pays the Fire Station Bond as it becomes due.

The combined aggregate amount of debt service requirements (principal and interest) by year is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2023	\$ 131,000	\$ 7,515	\$ 138,515
2024	132,000	7,260	139,260
2025	132,000	6,990	138,990
2026	132,000	6,720	138,720
2027	133,000	6,450	139,450
2028-2032	416,000	27,960	443,960
2033-2037	105,000	20,460	125,460
2038-2042	113,000	12,330	125,330
2043-2047	96,000	3,600	99,600
Thereafter	-	-	-
Total	<u>\$ 1,390,000</u>	<u>\$ 99,285</u>	<u>\$ 1,489,285</u>

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 8 - INTERFUND TRANSFERS**

The City transferred \$648,183 from the General fund to the Debt Service, Asset Acquisition, and Capital Projects Road funds. The City transferred funds from the General Fund to partially fund capital expenditures in the Capital Projects Road Fund in the amount of \$501,688. The City also transferred funds from the General Fund to the Debt Service fund in the amount of \$139,025 and to the Asset Acquisition fund in the amount of \$7,470.

**NOTE 9 - PENSION PLANS**

**General Information about the Pension Plan**

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

**Defined Benefit Plans**

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website:

[www.urs.org/general/publications](http://www.urs.org/general/publications).

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

**Summary of Benefits by System**

*Benefits Provided:* URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

<b>System</b>	<b>Final Average Salary</b>	<b>Years of Service required and/or age eligible for benefit</b>	<b>Benefit percentage per year of service</b>	<b>COLA **</b>
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%
Contributory System	Highest 5 Years	30 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Public Safety System	Highest 3 Years	20 years, any age 10 years, age 60 4 years, age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 Years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.50% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 Years	25 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.50% per year to June 30, 2020; 2.00% per year July 1, 2020 to present	Up to 2.5%

\* Actuarial reductions are applied.

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

**Contribution Rate Summary**

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

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

	<b>Employee</b>	<b>Employer</b>	<b>Employer 401(k)</b>
<b>Contributory System</b>			
11 Local Government Div – Tier 1	6.00	14.46	N/A
111 Local Government Div – Tier 2	N/A	16.07	0.62
<b>Noncontributory System</b>			
15 Local Government Div – Tier 1	N/A	18.47	N/A
<b>Public Safety System</b>			
<b>Contributory</b>			
122 Tier 2 DB Hybrid Public Safety	2.27	25.83	N/A
<b>Noncontributory</b>			
43 Other Div A with 2.5% COLA	N/A	34.04	N/A
<b>Tier 2 DC Only</b>			
211 Local Government	N/A	6.69	10.00
222 Public Safety	N/A	11.83	14.00

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

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

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 51,241	N/A
Contributory System	7,117	-
Public Safety System	52,048	-
Tier 2 Public Employees System	6,321	-
Tier 2 Public Safety and Firefighter	36,922	-
<b>Total Contributions</b>	<b>\$ 153,649</b>	<b>\$ -</b>

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.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

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

At June 30, 2022, we reported a net pension asset of \$484,937 and a net pension liability of \$0.

	<b>Measurement Date: December 31, 2021</b>			<b>Proportionate Share December 31, 2020</b>	<b>Change (Decrease)</b>
	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Proportionate Share</b>		
Noncontributory System	\$ 140,706	\$ -	0.0245684 %	0.0296962 %	(0.0051278) %
Contributory System	240,919	-	0.3327870 %	0.3036476 %	0.0291394 %
Public Safety System	98,824	-	0.1216830 %	0.1124277 %	0.0092553 %
Tier 2 Public Employees System	1,951	-	0.0046103 %	0.0087857 %	(0.0041754) %
Tier 2 Public Safety & Firefighter	2,537	-	0.0501943 %	0.0500734 %	0.0001209 %
	<u>\$484,937</u>	<u>\$ -</u>			

The net pension asset and liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June, 30, 2022 we recognized pension expense of (\$90,343).

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,270	\$ 668
Changes in assumptions	35,198	2,405
Net difference between projected and actual earnings on pension plan investments	-	666,476
Changes in proportion and differences between contributions and proportionate share of contributions	13,535	31,651
Contributions subsequent to the measurement date	76,392	-
	<u>\$ 151,395</u>	<u>\$ 701,200</u>



**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

\$76,392 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

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

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (139,586)
2023	(218,240)
2024	(163,425)
2025	(109,486)
2026	676
Thereafter	3,865

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

For the year ended June, 30, 2022 we recognized pension expense of (\$31,125).

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,737	\$ -
Changes in assumptions	13,206	908
Net difference between projected and actual earnings on pension plan investments	-	189,442
Changes in proportion and differences between contributions and proportionate share of contributions	874	22,550
Contributions subsequent to the measurement date	27,698	-
	<u>\$ 56,515</u>	<u>\$ 212,900</u>

\$27,698 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

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:

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (44,346)
2023	(61,847)
2024	(46,412)
2025	(31,477)
2026	-
Thereafter	-

**Contributory System Pension Expense, and Deferred Outflows and Inflows of Resources**

For the year ended June, 30, 2022 we recognized pension expense of (\$74,410).

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	197,342
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	3,552	-
	<u>\$ 3,552</u>	<u>\$ 197,342</u>

\$3,552 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

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

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (47,635)
2023	(68,944)
2024	(48,632)
2025	(32,131)
2026	-
Thereafter	-

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

For the year ended June, 30, 2022 we recognized pension expense of (\$4,943).

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,411	\$ -
Changes in assumptions	17,326	1,028
Net difference between projected and actual earnings on pension plan investments	-	267,117
Changes in proportion and differences between contributions and proportionate share of contributions	9,360	6,356
Contributions subsequent to the measurement date	22,728	-
	<u>\$ 57,825</u>	<u>\$ 274,501</u>

\$22,728 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

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:

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (44,976)
2023	(84,217)
2024	(65,925)
2025	(44,285)
2026	-
Thereafter	-

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

For the year ended June, 30, 2022 we recognized pension expense of \$6,783.

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 948	\$ 251
Changes in assumptions	1,819	18
Net difference between projected and actual earnings on pension plan investments	-	4,821
Changes in proportion and differences between contributions and proportionate share of contributions	1,657	1,018
Contributions subsequent to the measurement date	3,537	-
	<u>\$ 7,961</u>	<u>\$ 6,108</u>

\$3,537 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

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:

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (899)
2023	(1,154)
2024	(835)
2025	(478)
2026	373
Thereafter	1,308

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

For the year ended June, 30, 2022 we recognized pension expense of \$13,351.

At June, 30, 2022 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,174	\$ 417
Changes in assumptions	2,847	451
Net difference between projected and actual earnings on pension plan investments	-	7,754
Changes in proportion and differences between contributions and proportionate share of contributions	1,645	1,728
Contributions subsequent to the measurement date	18,876	-
	<u>\$ 25,541</u>	<u>\$ 10,350</u>

\$18,876 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2021.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

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:

<b>Year ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2022	\$ (1,730)
2023	(2,078)
2024	(1,621)
2025	(1,115)
2026	303
Thereafter	2,557

**Actuarial assumptions**

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

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

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

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

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

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>		
	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
Equity securities	37.00%	6.58%	2.43%
Debt securities	20.00%	(0.28)%	(0.06)%
Real assets	15.00%	5.77%	0.87%
Private equity	12.00%	9.85%	1.18%
Absolute return	16.00%	2.91%	0.47%
Cash and cash equivalents	0.00%	(1.01)%	0.00%
Totals	100.00%		4.89%
	Inflation		2.50%
	Expected arithmetic nominal return		7.39%

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

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

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

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 9 - PENSION PLANS (continued)**

<b>System</b>	<b>1% Decrease (5.85%)</b>	<b>Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Noncontributory System	\$ 75,662	\$ (140,706)	\$ (321,222)
Contributory System	(96,120)	(240,919)	(363,635)
Public Safety System	243,732	(98,824)	(377,003)
Tier 2 Public Employees System	11,626	(1,951)	(12,376)
Tier 2 Public Safety and Firefighter	20,353	(2,537)	(20,708)
<b>Total</b>	<b>\$ 255,253</b>	<b>\$ (484,937)</b>	<b>\$ (1,094,944)</b>

Pension plan fiduciary net position: Detailed information about the pension plans fiduciary net position is available in the separately issued URS financial report.

**Defined Contribution Savings Plans**

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

City of Naples 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 30th were as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b><i>401(k) Plan</i></b>			
Employer Contributions	\$244	\$1,303	\$21,732
Employee Contributions	\$10,805	\$11,285	\$30,348
<b><i>Roth IRA Plan</i></b>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$9,039	\$7,460	\$0



**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 10 - REDEVELOPMENT AGENCIES - REQUIRED DISCLOSURES**

Utah State Code Section 17A-2-1217(3) requires disclosure of certain information regarding each of the City's redevelopment agencies. The City of Naples, Utah has two redevelopment agencies. As discussed in Note 1 both of these RDA's have matured and will no longer receive incremental property tax funding. However, funds accumulated previously will be used to complete the planned projects. Please contact the City at 485-789-9090 for more information. The required disclosures for the year ended June 30, 2022 for each agency are as follows:

*Naples Redevelopment Agency (last funding received in 2012)*

- The tax increment collected by the agency \$-
- The amount of tax increment paid to any taxing agency pursuant to Section 17a-2-1258 \$-
- The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas \$-
- The actual amount expended for:
  - (i) acquisition of property \$-
  - (ii) site improvements or preparation costs \$-
  - (iii) installation of public utilities or other public improvements \$-
  - (iv) administrative costs of the agency \$25

*Naples 1500 South Redevelopment Agency (last funding received in 2018)*

- The tax increment collected by the agency \$-
- The amount of tax increment paid to any taxing agency pursuant to Section 17a-2-1258 \$-
- The outstanding principal amount of bonds issued or other loans incurred to finance the costs associated with the project areas \$-
- The actual amount expended for:
  - (i) acquisition of property \$-
  - (ii) site improvements or preparation costs \$-
  - (iii) installation of public utilities or other public improvements \$-
  - (iv) administrative costs of the agency \$25

**NOTE 11 - RISK MANAGEMENT**

The City of Naples, Utah is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased through the Utah Local Governments Trust. Settled claims from these risks have not exceeded commercial insurance coverage.

**City of Naples, Utah**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**NOTE 12 - INSURANCE POLICIES**

The bond resolutions for the various Road Revenue Bonds Series 2009 and 2010 and Lease Revenue Bond Series 2015 require the annual disclosure of insurance policies in force at the end of the Sinking Fund Year. The following list provides the required information.

<b>Insurer</b>	<b>Risk Covered</b>	<b>Amount of Coverage</b>	<b>Expiration Date</b>
Utah Local Governments Trust	Comprehensive General Liability (including Public Officials Errors & Omissions)	\$5,000,000	10/4/2022
Utah Local Governments Trust	Auto Liability	\$2,000,000	10/4/2022
Utah Local Governments Trust	Worker's Compensation	100/500/100	1/1/2023
Utah Local Governments Trust	Property Coverage	\$4,900,522	10/4/2022
Utah Local Governments Trust	Auto PD Coverage	18 vehicles	10/4/2022
CAN Surety	Position Schedule Bond - Treasurer/Recorder	\$234,400	10/23/2022
CAN Surety	Position Schedule Bond - Treasurer/Recorder	\$284,000	3/23/2022

**NOTE 13 – COVID-19 GLOBAL PANDEMIC**

**The Global COVID-19 Pandemic Could Adversely Affect Our Operations.** The City of Naples could be adversely affected by the worldwide COVID-19 pandemic in, among others, the following ways: (i) Travel and tourism disruptions in Utah and specifically, the Uintah Basin. (ii) Disruptions to the oil and gas industry in Utah and specifically, the Uintah Basin. The full potential impacts of the global pandemic are, as yet, unknown.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The City believes that possible contingencies (contingencies incurred but not reported) where the loss cannot be reasonably estimated are immaterial to the financial statements of the City. The City had \$692,865 in outstanding construction commitments (percentage of completion method) at June 30, 2022, as follows:

	<b>Total Contract</b>	<b>Remaining Amount</b>
Storm Drain (#55-20-020)	\$ 58,000	\$ 29,000
2000 East (#F-2850 (1)1)	773,000	663,865
	<u>\$ 831,000</u>	<u>\$ 692,865</u>

**NOTE 15 - SUBSEQUENT EVENTS**

The City has evaluated its subsequent events from the balance sheet date through the date of issuance and determined that there are no additional events to disclose.

**City of Naples, Utah**  
**Schedule of Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Utah Retirement System**  
**June 30, 2022**  
**Last 10 Fiscal Years\***

	<b>As of fiscal year ended June 30,</b>	<b>Noncontributory Retirement System</b>	<b>Contributory Retirement System</b>	<b>Public Safety System</b>	<b>Tier 2 Public Employees Retirement System</b>	<b>Tier 2 Public Safety and Firefighters Retirement</b>
Proportion of the net pension liability (asset)	2016	0.0073204%	0.6932287%	0.1716517%	0.0129262%	0.1220688%
	2017	0.0273141%	0.4155565%	0.1509173%	0.0109503%	0.0711524%
	2018	0.0304862%	0.3011952%	0.1124923%	0.0095428%	0.0641748%
	2019	0.0334079%	0.2355772%	0.1221534%	0.0085602%	0.0798141%
	2020	0.0348378%	0.2630849%	0.1263277%	0.0096011%	0.0810944%
	2021	0.0296962%	0.3036476%	0.1124277%	0.0087857%	0.0500734%
	2022	0.0245684%	0.3327870%	0.1216830%	0.0046103%	0.0501943%
Proportionate share of the net pension liability (asset)	2016	\$41,422	\$487,239	\$307,471	(\$28)	(\$1,783)
	2017	\$175,390	\$136,349	\$306,253	\$1,221	(\$618)
	2018	\$133,569	\$24,510	\$176,462	\$841	(\$743)
	2019	\$246,007	\$95,698	\$314,250	\$3,666	\$2,000
	2020	\$131,299	\$17,242	\$202,834	\$2,159	\$7,628
	2021	\$15,232	(\$54,420)	\$93,342	\$1,264	\$4,491
	2022	(\$140,706)	(\$240,919)	(\$98,824)	(\$1,951)	(\$2,537)
Covered payroll	2016	\$54,785	\$264,328	\$316,245	\$83,505	\$72,652
	2017	\$220,356	\$99,709	\$297,741	\$89,800	\$58,788
	2018	\$249,527	\$61,117	\$242,604	\$93,415	\$67,732
	2019	\$280,788	\$71,195	\$275,306	\$100,053	\$106,206
	2020	\$292,070	\$100,138	\$282,452	\$133,459	\$133,694
	2021	\$244,962	\$105,688	\$215,896	\$140,446	\$99,891
	2022	\$219,358	\$103,074	\$161,922	\$86,386	\$120,034
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	2016	75.61%	184.33%	97.23%	-0.03%	-2.45%
	2017	79.59%	136.75%	102.86%	1.36%	-1.05%
	2018	53.53%	40.10%	72.74%	0.90%	-1.10%
	2019	87.61%	134.28%	114.15%	3.66%	1.88%
	2020	44.95%	17.22%	71.81%	1.62%	5.71%
	2021	6.22%	-51.49%	43.23%	0.90%	4.5%
	2022	-64.14%	-233.73%	-61.03%	-2.26%	-2.11%

**City of Naples, Utah**  
**Schedule of Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Utah Retirement System**  
**June 30, 2022**  
**Last 10 Fiscal Years\***

	<b>As of fiscal year ended June 30,</b>	<b>Noncontributory Retirement System</b>	<b>Contributory Retirement System</b>	<b>Public Safety System</b>	<b>Tier 2 Public Employees Retirement System</b>	<b>Tier 2 Public Safety and Firefighters Retirement</b>
	2016	87.8%	85.7%	87.1%	100.2%	110.7%
Plan fiduciary net position as a	2017	87.3%	92.9%	86.5%	95.1%	103.6%
percentage of the total pension	2018	91.9%	98.2%	90.2%	97.4%	103.0%
liability/(asset)	2019	87.0%	91.2%	84.7%	90.8%	95.6%
	2020	93.7%	98.6%	90.9%	96.5%	89.6%
	2021	99.2%	103.9%	95.5%	98.3%	93.1%
	2022	108.7%	115.9%	104.2%	103.8%	102.8%

\* Only fiscal years 2016, 2017, 2018, 2019, 2020, 2021 and 2022 were available. The City will continue to present information for available years until a full 10-year trend is compiled.

**City of Naples, Utah**  
**Schedule of Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement Systems**

	<b>As of fiscal year ended June 30</b>	<b>Actuarial Determined Contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a percentage of covered payroll</b>
<i>Noncontributory System</i>	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	29,342	29,342	-	159,068	18.45%
	2017	42,352	42,352	-	229,300	18.47%
	2018	50,848	50,848	-	275,303	18.47%
	2019	53,336	53,336	-	341,838	15.61%
	2020	53,995	53,995	-	346,532	15.58%
	2021	34,977	34,977	-	244,913	14.28%
	2022	51,241	51,241	-	328,178	15.61%
<i>Contributory System</i>	2014	\$ 63,544	\$ 63,544	\$ -	\$ 479,410	13.25%
	2015	54,633	54,633	-	389,957	14.01%
	2016	21,519	21,519	-	148,881	14.45%
	2017	12,945	12,945	-	89,524	14.46%
	2018	6,304	6,304	-	43,599	14.46%
	2019	6,654	6,654	-	46,018	14.46%
	2020	6,913	6,913	-	47,810	14.46%
	2021	7,297	7,297	-	50,464	14.46%
	2022	7,117	7,117	-	52,784	13.48%
<i>Public Safety System</i>	2014	\$ 92,416	\$ 92,416	\$ -	\$ 369,215	25.03%
	2015	90,116	90,116	-	348,426	25.86%
	2016	74,257	74,257	-	300,266	24.73%
	2017	63,787	63,787	-	282,573	22.57%
	2018	49,436	49,436	-	254,166	19.45%
	2019	53,165	53,165	-	278,301	19.10%
	2020	54,392	54,392	-	287,199	18.94%
	2021	49,995	49,995	-	145,528	34.35%
	2022	52,048	52,048	-	152,902	34.04%

**City of Naples, Utah**  
**Schedule of Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement Systems**

	<b>As of fiscal year ended June 30</b>	<b>Actuarial Determined Contributions</b>	<b>Contributions in relation to the contractually required contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a percentage of covered payroll</b>
<i>Tier 2 Public Employees System*</i>	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	8,581	8,581	-	51,385	16.70%
	2016	13,022	13,022	-	85,780	15.18%
	2017	13,627	13,627	-	91,393	14.91%
	2018	14,882	14,882	-	98,540	15.10%
	2019	18,020	18,020	-	115,959	15.54%
	2020	21,125	21,125	-	134,898	15.66%
	2021	22,516	22,516	-	142,555	15.79%
	2022	6,321	6,321	-	39,337	16.07%
<i>Tier 2 Public Safety and Firefighter System*</i>	2014	\$ 7,738	\$ 7,738	\$ -	\$ 37,113	20.85%
	2015	11,650	11,650	-	51,788	22.50%
	2016	18,746	18,746	-	83,315	22.50%
	2017	10,892	10,892	-	53,480	20.37%
	2018	16,904	16,904	-	74,908	22.57%
	2019	32,341	32,341	-	140,308	23.05%
	2020	25,869	25,869	-	111,546	23.19%
	2021	25,814	25,814	-	100,339	25.73%
	2022	36,922	36,922	-	142,941	25.83%
<i>Tier 2 Public Safety and Firefighter DC Only System*</i>	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
	2018	1,644	1,644	-	16,162	10.17%
	2019	-	-	-	-	0.00%
	2020	-	-	-	-	0.00%
	2021	-	-	-	-	0.00%
	2022	-	-	-	-	0.00%

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

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

**City of Naples**  
**Notes to Required Supplementary Information**  
**June 30, 2022**

**Changes in Assumptions:**

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability of as December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**

	Naples Development Agency	Naples 1500 South Redevelopment Agency	Debt Service	Municipal Building Authority	Municipal Building Fund	Equipment Replacement Fund	Vitalization Fund	Capital Projects Parks	Capital Projects Asset Acquisitions	Total Governmental Funds
<b>Assets</b>										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 415,186	\$ 120,973	\$ 536,159
Restricted assets:										-
Restricted cash	440,716	70,039	377,377	492,810	155,946	94,851	305,098	-	105,004	2,041,840
Total Assets	<u>\$ 440,716</u>	<u>\$ 70,039</u>	<u>\$ 377,377</u>	<u>\$ 492,810</u>	<u>\$ 155,946</u>	<u>\$ 94,851</u>	<u>\$ 305,098</u>	<u>\$ 415,186</u>	<u>\$ 225,977</u>	<u>\$ 2,577,999</u>
<b>Liabilities</b>										
Building permit bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred In-flows of Resources</b>										
Property taxes received or receivable for future period	-	-	-	-	-	-	-	-	-	-
Total Deferred In-flows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>										
Fund balance:										
Restricted for:										
Debt service	-	-	377,377	492,810	-	-	-	-	-	870,187
Equipment purchase/replacement	-	-	-	-	-	94,851	-	-	105,004	199,855
Redevelopment	440,716	70,039	-	-	155,946	-	305,098	-	-	971,798
Committed for:										
Equipment replacement	-	-	-	-	-	-	-	-	120,973	120,973
Parks	-	-	-	-	-	-	-	415,186	-	415,186
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>440,716</u>	<u>70,039</u>	<u>377,377</u>	<u>492,810</u>	<u>155,946</u>	<u>94,851</u>	<u>305,098</u>	<u>415,186</u>	<u>225,977</u>	<u>2,577,999</u>
Total Liabilities, Deferred In- flows of Resources, & Fund Balances	<u>\$ 440,716</u>	<u>\$ 70,039</u>	<u>\$ 377,377</u>	<u>\$ 492,810</u>	<u>\$ 155,946</u>	<u>\$ 94,851</u>	<u>\$ 305,098</u>	<u>\$ 415,186</u>	<u>\$ 225,977</u>	<u>\$ 2,577,999</u>



Naples City  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year ended June 30, 2022

Page 64

	Naples Development Agency	Naples 1500 South Redevelopment Agency	Debt Service	Municipal Building Authority	Municipal Building Fund	Equipment Replacement Fund	Vitalization Fund	Capital Projects Parks	Capital Projects Asset Acquisitions	Total Governmental Funds
<b>Revenues</b>										
Interest income	\$ 2,493	\$ 329	\$ 3,686	\$ 2,434	\$ 715	\$ 478	\$ 1,435	\$ 1,952	\$ 1,022	\$ 14,545
<b>Total Revenues</b>	<u>2,493</u>	<u>329</u>	<u>3,686</u>	<u>2,434</u>	<u>715</u>	<u>478</u>	<u>1,435</u>	<u>1,952</u>	<u>1,022</u>	<u>14,545</u>
<b>Expenditures</b>										
Current:										
General government	25	25	-	-	-	-	-	-	-	50
Capital outlay:										
Highways and public improvements	-	-	-	-	-	12,821	-	-	-	12,821
Debt service										
Principal	-	-	114,000	17,000	-	-	-	-	-	131,000
Interest	-	-	-	7,770	-	-	-	-	-	7,770
<b>Total Expenditures</b>	<u>25</u>	<u>25</u>	<u>114,000</u>	<u>24,770</u>	<u>-</u>	<u>12,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,641</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,468</u>	<u>304</u>	<u>(110,314)</u>	<u>(22,336)</u>	<u>715</u>	<u>(12,342)</u>	<u>1,435</u>	<u>1,952</u>	<u>1,022</u>	<u>(137,096)</u>
<b>Other Financing Sources (Uses)</b>										
Transfers	-	-	139,025	-	-	-	-	-	7,470	146,495
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>139,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,470</u>	<u>146,495</u>
<b>Net Change in Fund Balance</b>	<u>2,468</u>	<u>304</u>	<u>28,711</u>	<u>(22,336)</u>	<u>715</u>	<u>(12,342)</u>	<u>1,435</u>	<u>1,952</u>	<u>8,492</u>	<u>9,399</u>
Fund Balance - Beginning of Year	438,247	69,734	348,666	515,147	155,231	107,194	303,663	413,234	217,484	2,568,599
Fund Balance - End of Year	<u>\$ 440,716</u>	<u>\$ 70,039</u>	<u>\$ 377,377</u>	<u>\$ 492,810</u>	<u>\$ 155,946</u>	<u>\$ 94,851</u>	<u>\$ 305,098</u>	<u>\$ 415,186</u>	<u>\$ 225,977</u>	<u>\$ 2,577,999</u>

**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  
The City of Naples, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the City of Naples, Utah (the "City"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2022.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Naples, Utah's financial statements are free of 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*.

### **Purpose of this Report**

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

*Crossroads Accounting Professionals, PLLC*

A handwritten signature in blue ink, appearing to be 'DJT', is written below the firm name.

Vernal, Utah  
December 9, 2022

**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  
The City of Naples, Utah

We have audited the City of Naples, Utah's (the "City") compliance with the applicable general state and major state program 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 or each of its major state programs for the fiscal year ended June 30, 2022.

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

Budgetary Compliance  
Fund Balance  
Restricted Taxes and Other Related Restricted Revenue  
Fraud Risk Assessment  
Governmental Fees  
Cash Management  
Tax Levy Revenue Recognition  
Utah Retirement Systems  
Public Treasurer's Bond

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### **Opinion on Compliance**

In our opinion the City of Naples, Utah complied, in all material respects, with the compliance requirements referred to above for the fiscal year ended June 30, 2022.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as item 2022-1. Our opinion on compliance is not modified with respect to this matter.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City of Naples, Utah is responsible for establishing and maintaining effective internal control over compliance with the 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 our 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program 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 general state or major state program 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 general state or major state program 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.

*Crossroads Accounting Professionals, PLLC*

A handwritten signature in blue ink, appearing to be 'D. J. A.', is written over the company name.

Vernal, Utah  
December 9, 2022

**City of Naples, Utah  
Findings and Responses  
June 30, 2022**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**None**

**COMPLIANCE**

**2022-1 – Cash Management**

**Finding** – The City is required to file its Deposit and Investment Report with the State Treasurer’s Office Money Management Council on or before January 31 and July 31 of each year. The City’s fiscal yearend report was filed, however, the cash balances reported did not agree to the financial institutions year-end closing balances as required.

**Recommendation** – The City should review their processes and procedures and the Money Management Council’s requirements for properly reporting cash balances on the Deposit & Investment Reports that they file with the State to ensure accuracy and compliance with the Money Management Act.

**City Response** – *The City has asserted that they will adopt the above recommendation.*

**OTHER MATTERS**

**None**

**City of Naples, Utah**  
**Status of Prior Year Findings and Recommendations**  
**June 30, 2022**

The following findings and recommendations were reported in the prior year audit. The current status of each finding and recommendation is indicated.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**None**

**COMPLIANCE**

**None**

**OTHER MATTERS**

**None**