

MILLCREEK

**Basic Financial Statements
and
Independent Auditor's Report
Year Ended June 30, 2021**

MILLCREEK

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
Millcreek, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Millcreek, Utah (the City), as of and for the year ended June 30, 2021, 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the pension schedules on pages 49 through 51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

December 3, 2021

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Millcreek's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Millcreek Finance Director
3330 South 1300 East
Millcreek, UT 84106

DRAFT

MILLCREEK
Statement of Net Position
June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 28,362,842	\$ 258,488	\$ 28,621,330
Receivables:			
Property and other taxes	15,349,418	-	15,349,418
Accounts	-	221,485	221,485
Due from other governments	516,262	-	516,262
Prepaid expenses	6,000	-	6,000
Restricted cash	23,107	-	23,107
Capital assets:			
Land	92,067,824	-	92,067,824
Buildings	1,149,259	-	1,149,259
Improvements	6,283,925	-	6,283,925
Machinery and equipment	563,154	63,499	626,653
Infrastructure	62,360,925	20,812,815	83,173,740
Accumulated depreciation	(6,603,865)	(2,015,000)	(8,618,865)
Total assets	200,078,851	19,341,287	219,420,138
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	530,357	58,929	589,286
Total deferred outflows of resources	530,357	58,929	589,286
<u>LIABILITIES</u>			
Accounts payable	3,306,640	7,218	3,313,858
Accrued interest payable	60,150	-	60,150
Accrued liabilities	338,657	-	338,657
Construction bonds	1,504,271	-	1,504,271
Unearned revenue	3,989,825	-	3,989,825
Non-current liabilities:			
Due within one year	166,665	21,514	188,179
Due in more than one year	19,990,600	3,796	19,994,396
Net pension liability	87,586	9,731	97,317
Total liabilities	29,444,394	42,259	29,486,653
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred property tax revenue	12,225,860	-	12,225,860
Deferred inflows relating to pensions	624,101	69,345	693,446
Total deferred inflows of resources	12,849,961	69,345	12,919,306
<u>NET POSITION</u>			
Net investment in capital assets	144,576,786	18,861,314	163,438,100
Restricted for:			
Capital projects	479,219	-	479,219
Unrestricted	13,258,848	427,298	13,686,146
Total net position	\$ 158,314,853	\$ 19,288,612	\$ 177,603,465

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Activities
For the Year Ended June 30, 2021

	<u>Program Revenues</u>				<u>Net (Expense) Revenues and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>GOVERNMENTAL ACTIVITIES</u>							
General government	\$ 7,426,768	\$ 3,721,059	\$ -	\$ -	\$ (3,705,709)		\$ (3,705,709)
Public safety	12,213,011	-	-	-	(12,213,011)		(12,213,011)
Streets and public works	8,426,540	-	7,434,385	2,985,552	1,993,397		1,993,397
Parks and recreation	-	-	-	162,203	162,203		162,203
Debt service - interest and fiscal charges	636,240	-	-	-	(636,240)		(636,240)
Total governmental activities	28,702,559	3,721,059	7,434,385	3,147,755	(14,399,360)		(14,399,360)
<u>BUSINESS TYPE ACTIVITIES</u>							
Storm Water	1,028,727	1,868,447	-	-		839,720	839,720
Total business-type activities	1,028,727	1,868,447	-	-		839,720	839,720
<u>GENERAL REVENUES</u>							
Taxes:							
Property taxes					11,902,199	-	11,902,199
Franchise taxes					553,957	-	553,957
General sales taxes					13,227,389	-	13,227,389
Interest income					128,506	1,156	129,662
Miscellaneous					264,348	-	264,348
Transfers, net					(18,447,736)	18,447,736	-
Total general revenues					7,628,663	18,448,892	26,077,555
Change in net position					(6,770,697)	19,288,612	12,517,915
Net position - beginning					165,085,550	-	165,085,550
Net position - ending					\$ 158,314,853	\$ 19,288,612	\$ 177,603,465

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Balance Sheet – Governmental Funds
June 30, 2021

	General	Special Revenue Community Reinvestment	Capital Projects Fund	Special Revenue Park Impact (non-major)	Totals Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 15,761,613	\$ 758,338	\$ 11,680,688	\$ 162,203	\$ 28,362,842
Restricted cash and investments	-	23,107	-	-	23,107
Receivables:					
Sales, property and franchise taxes	14,198,542	1,150,876	-	-	15,349,418
Class C road funds	516,262	-	-	-	516,262
Prepaid expenditures	6,000	-	-	-	6,000
Total assets	\$ 30,482,417	\$ 1,932,321	\$ 11,680,688	\$ 162,203	\$ 44,257,629
<u>LIABILITIES</u>					
Liabilities:					
Accounts payable	\$ 1,040,428	\$ 1,640	\$ 2,264,572	\$ -	\$ 3,306,640
Accrued liabilities	338,657	-	-	-	338,657
Construction bonds	1,504,271	-	-	-	1,504,271
Unearned revenue	3,989,825	-	-	-	3,989,825
Total liabilities	6,873,181	1,640	2,264,572	-	9,139,393
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred property tax revenue	11,075,860	1,150,000	-	-	12,225,860
Total deferred inflows of resources	11,075,860	1,150,000	-	-	12,225,860
<u>FUND BALANCE</u>					
Nonspendable	6,000				6,000
Restricted					
Class C road projects	516,262	-	-	-	516,262
Capital projects	-	23,107	-	-	23,107
Total restricted	516,262	23,107	-	-	539,369
Assigned to:					
Special revenue fund	-	757,574	-	162,203	919,777
Capital projects fund	-	-	9,416,116	-	9,416,116
Total assigned	-	757,574	9,416,116	162,203	10,335,893
Unassigned	12,011,114	-	-	-	12,011,114
Total fund balance	12,533,376	780,681	9,416,116	162,203	22,892,376
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,482,417	\$ 1,932,321	\$ 11,680,688	\$ 162,203	\$ 44,257,629

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Reconciliation to the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2021

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

Total Fund Balances - Total Governmental Funds (page 13)	\$ 22,892,376
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	155,821,222
Net pension assets and liabilities are not available to pay for current period expenditures and, therefore, are either deferred or not applicable to funds.	(181,330)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(20,217,415)</u>
Net Position - Governmental Activities (page 11)	<u><u>\$ 158,314,853</u></u>

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Revenues, Expenditures, and
Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2021

	General	Special Revenue Community Reinvestment	Capital Projects Fund	Special Revenue Park Impact (non-major)	Totals Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 25,532,250	\$ 151,295	\$ -	\$ -	\$ 25,683,545
Special assessments	-	-	-	162,203	162,203
Licenses and permits	3,475,595	-	-	-	3,475,595
Charges for services	227,435	10,514	-	-	237,949
Intergovernmental	7,434,385	1,084,763	1,900,789	-	10,419,937
Fines and forfeitures	7,515	-	-	-	7,515
Interest	83,670	23,785	21,051	-	128,506
Miscellaneous	260,113	4,235	-	-	264,348
Total revenues	<u>37,020,963</u>	<u>1,274,592</u>	<u>1,921,840</u>	<u>162,203</u>	<u>40,379,598</u>
<u>EXPENDITURES</u>					
General government	7,399,128	-	-	-	7,399,128
Public safety	12,213,011	-	-	-	12,213,011
Streets and public works	5,764,475	1,418,166	-	-	7,182,641
Capital outlay	-	6,219,836	5,272,313	-	11,492,149
Debt service:					
Interest and fiscal charges	21,067	721,729	-	-	742,796
Debt issuance costs	35,500	-	-	-	35,500
Total expenditures	<u>25,433,181</u>	<u>8,359,731</u>	<u>5,272,313</u>	<u>-</u>	<u>39,065,225</u>
Excess of revenues over (under) expenditures	<u>11,587,782</u>	<u>(7,085,139)</u>	<u>(3,350,473)</u>	<u>162,203</u>	<u>1,314,373</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	-	-	6,931,183	-	6,931,183
Transfers out	<u>(6,155,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,155,183)</u>
Total other financing sources (uses)	<u>(6,155,183)</u>	<u>-</u>	<u>6,931,183</u>	<u>-</u>	<u>776,000</u>
Net change in fund balance	5,432,599	(7,085,139)	3,580,710	162,203	2,090,373
Fund balance, beginning of year	<u>7,100,777</u>	<u>7,865,820</u>	<u>5,835,406</u>	<u>-</u>	<u>20,802,003</u>
Fund balance, end of year	<u>\$ 12,533,376</u>	<u>\$ 780,681</u>	<u>\$ 9,416,116</u>	<u>\$ 162,203</u>	<u>\$ 22,892,376</u>

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 2,090,373
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and asset transfers exceed capital outlays and contributions in the current period.	(9,104,946)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	192,117
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>51,759</u>
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Change in net position - governmental activities (page 12)	<u><u>\$ (6,770,697)</u></u>
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The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 20,145,500	\$ 25,752,750	\$ 25,532,250	\$ (220,500)
Licenses and permits	1,636,500	3,270,150	3,475,595	205,445
Charges for service	55,000	230,000	227,435	(2,565)
Intergovernmental	1,745,000	6,019,776	7,434,385	1,414,609
Fines and forfeitures	-	7,500	7,515	15
Interest	275,000	110,000	83,670	(26,330)
Miscellaneous	-	130,959	260,113	129,154
Total revenues	<u>23,857,000</u>	<u>35,521,135</u>	<u>37,020,963</u>	<u>1,499,828</u>
EXPENDITURES				
General government				
Mayor and city council	351,500	374,000	351,114	22,886
City management	231,500	169,500	147,923	21,577
Recorder	121,700	119,200	105,733	13,467
Building services	973,500	1,049,000	977,505	71,495
Communications and programs	415,950	439,750	386,158	53,592
Emergency management	112,750	129,250	106,867	22,383
Justice court	215,000	215,000	208,664	6,336
Legal	482,250	502,250	414,889	87,361
Information center	274,900	286,000	243,685	42,315
IT management	467,000	627,500	563,591	63,909
Economic development	340,200	1,530,300	1,500,812	29,488
Business licenses	152,750	164,750	156,118	8,632
Finance	332,500	380,750	348,007	32,743
Human resources	52,000	54,000	33,271	20,729
Nondepartmental	135,000	188,000	170,679	17,321
Facilities administration	346,500	332,500	309,414	23,086
Facilities	342,500	355,000	290,229	64,771
Fleet	30,500	60,029	53,092	6,937
Planning and zoning	797,500	928,500	893,625	34,875
Promise program	100,000	146,935	137,752	9,183
Public safety	12,055,954	12,221,671	12,213,011	8,660
Streets and public works	6,351,500	6,219,500	5,764,475	455,025
Debt service	211,000	56,567	56,567	-
Transfers	61,000	6,221,183	6,155,183	66,000
Total expenditures	<u>24,954,954</u>	<u>32,771,135</u>	<u>31,588,364</u>	<u>1,182,771</u>
Net change in fund balance	(1,097,954)	2,750,000	5,432,599	2,682,599
Fund balance, beginning of year	7,100,777	7,100,777	7,100,777	-
Fund balance, end of year	<u>\$ 6,002,823</u>	<u>\$ 9,850,777</u>	<u>\$ 12,533,376</u>	<u>\$ 2,682,599</u>

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Community Reinvestment Agency – Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ 151,295	\$ 151,295
Charges for services	-	10,514	10,514	-
Intergovernmental	950,000	1,236,058	1,084,763	(151,295)
Interest	5,000	200	23,785	23,585
Miscellaneous	-	3,358	4,235	877
	<hr/>		<hr/>	
Total revenue	955,000	1,250,130	1,274,592	24,462
<u>EXPENDITURES</u>				
Public works	658,000	1,486,916	1,418,166	68,750
Capital outlay	6,139,423	6,219,838	6,219,836	2
Debt service	721,800	721,729	721,729	-
	<hr/>		<hr/>	
Total expenditures	7,519,223	8,428,483	8,359,731	68,752
Excess of revenues over expenditure	(6,564,223)	(7,178,353)	(7,085,139)	93,214
Net change in fund balance	(6,564,223)	(7,178,353)	(7,085,139)	93,214
Fund balance, beginning of year	7,865,820	7,865,820	7,865,820	-
	<hr/>		<hr/>	
Fund balance, end of year	<u>\$ 1,301,597</u>	<u>\$ 687,467</u>	<u>\$ 780,681</u>	<u>\$ 93,214</u>

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Net Position – Proprietary Fund
June 30, 2021

	Storm Water
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 258,488
Receivables:	
Accounts, net	221,485
Total current assets	479,973
Property, plant and equipment:	
Infrastructure	20,812,815
Machinery and equipment	63,499
Accumulated depreciation	(2,015,000)
Net property, plant and equipment	18,861,314
Total assets	19,341,287
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	58,929
Total deferred outflows of resources	58,929
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	7,218
Compensated absences, current	21,514
Total current liabilities	28,732
Noncurrent liabilities:	
Compensated absences	3,796
Net pension liability	9,731
Total noncurrent liabilities	13,527
Total liabilities	42,259
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pensions	69,345
Total deferred inflows of resources	69,345
<u>NET POSITION</u>	
Net investment in capital assets	18,861,314
Unrestricted	427,298
Total net position	\$ 19,288,612

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Revenues, Expenses, and Changes
in Fund Net Position – Proprietary Fund
For the Year Ended June 30, 2021

	Storm Water
<u>OPERATING REVENUES</u>	
Charges for services	\$ 1,858,770
Miscellaneous	9,677
Total operating revenues	1,868,447
<u>OPERATING EXPENSES</u>	
Wages and fringe benefits	355,440
Operations	26,974
Professional services	106,972
Depreciation and amortization	425,921
Other	113,420
Total operating expenses	1,028,727
Operating income	839,720
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	1,156
Total non-operating revenues	1,156
Income before transfers and contributions	840,876
Transfers out	(776,000)
Capital contributions	19,223,736
Change in net position	19,288,612
Total net position, beginning of year	-
Total net position, end of year	\$ 19,288,612

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2021

	Storm Water
<u>Cash flows from operating activities:</u>	
Cash received from customers (including cash deposits)	\$ 1,646,962
Cash paid to suppliers	(240,148)
Cash paid to employees	(309,983)
Net cash provided by operating activities	<u>1,096,831</u>
<u>Cash flow from capital and related financing activities:</u>	
Interest income received	1,156
Payments to general fund	(776,000)
Purchase of capital assets	(63,499)
Net cash used by capital and related financing activities	<u>(838,343)</u>
Net increase in cash and cash equivalents	258,488
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u><u>\$ 258,488</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 839,720</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	425,921
Changes in assets and liabilities:	
Increase in accounts receivable	(221,485)
Increase in deferred outflows	(58,929)
Increase in accounts payable	7,218
Increase in accrued liabilities	25,310
Increase in deferred inflows	69,345
Increase in net pension liability	9,731
Total adjustments	<u>257,111</u>
Net cash provided by operating activities	<u><u>\$ 1,096,831</u></u>
Capital and related financing activities not affecting cash:	
Contributions of capital assets	<u><u>\$ 19,223,736</u></u>

The accompanying notes are an integral part of this financial statement.

MILLCREEK
Notes to the Financial Statements
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Millcreek, Utah (the City) was incorporated in 2017 under the laws of the State of Utah. The City operates under a Mayor-Council form of government. The City is a municipal corporation governed by an elected five-member Council, which includes the Mayor. The City provides the following services: public safety, highway and streets, public improvements, planning and zoning, and general administrative services.

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

Reporting Entity

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

Government-Wide Financial Statements and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements. The City's general administrative services, public safety, highways and streets, planning and engineering, and parks are all classified as governmental activities. Storm water collection services are classified as business-type activities.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City and its component units. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The following fund types are used by the City:

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Projects Fund accounts for the acquisition and construction of the government's major capital facilities.
- The CRA special revenue fund is used to account for financial resources to be used for the revitalization of blighted areas within the City. This fund is a blended component unit.

The City reports the following major proprietary fund:

- The Storm Water Fund accounts for the operation and maintenance of the storm water system and capital projects for the storm water system.

Additionally, the City reports the following fund type:

- Special revenue fund: The City accounts for park impact fees in a special revenue fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales, services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund and Special Revenue Funds. Annual budgets are also adopted for Capital Projects Fund which may include activities that overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal yearend.

Utah State law prohibits the appropriation of the sum of unassigned, assigned, and committed General Fund balance until it exceeds 5% of the General Fund revenues. Until the sum of the stated categories of fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Utah State law prohibits the accumulation of the stated fund balance categories in any amount greater than 35% of the current year's actual revenues.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Special Revenue Funds, and Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is not practicable or appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Investments City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer’s Investment Fund and other investments allowed by the State of Utah’s Money Management Act. Investments are reported at fair value. The State Treasurer’s Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to or due from other funds”. Advances between funds as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available financial resources.

Tax, intergovernmental and other receivables at June 30, 2021, consisted of property tax, sales tax, franchise tax, grants, utility billings, and other miscellaneous items. The utility billings for charged services are billed to customers on a monthly basis. Taxes, grants, and utility charges are deemed collectible in full, so no allowance for uncollectibles is recorded.

Restricted Assets Certain assets are classified as restricted because their use is restricted by an independent third party, enabling legislation, or other laws and statutes. These restrictions may include future debt service payments, unexpended portions of bonds issued for capital construction, and other agreements with third parties.

Prepaid Items Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	50 years
Buildings	50 years
Machinery and equipment	5 years

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Compensated Absences For governmental funds, amounts of vested or accumulated personal time off (PTO) are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Accumulated PTO may be paid to employees upon termination or retirement if approved by the City Manager.

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

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise taxes are collected by utility companies and remitted to the City periodically.

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

Deferred Outflows and Inflows of Resources Deferred outflows of resources represent a consumption of net position that applies to a future period, and is, therefore, deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is, therefore, deferred until that time. Governmental funds report unavailable revenue from property taxes as deferred inflows of resources until such time they can be recognized as revenue in the period that they become available.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance Governmental fund balance is reported in five separate categories: Nonspendable, restricted, committed, assigned, and unassigned. When both restricted and unrestricted fund balance is available for use, it is the City's policy to use restricted fund balance first. When expenditures qualify for more than one unrestricted fund balance classification, it is the City's policy to use resources in the following order: Committed, assigned, and then unassigned.

Inter-fund Transactions During the course of normal operations, the City has transactions between funds to construct assets, to distribute grant proceeds, etc. These transactions are generally reflected as transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position (Continued)

Capital related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 162,425,087
Accumulated depreciation	<u>(6,603,865)</u>
Capital assets, net	<u><u>\$ 155,821,222</u></u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net position. Balances at June 30, 2021 were:

Sales Tax Revenue bonds	\$ 17,345,000
Premiums	2,616,188
Interest payable on long-term debt	60,150
Compensated absences	<u>196,077</u>
	<u><u>\$ 20,217,415</u></u>

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Explanation of Certain Differences Between Governmental Funds Operating Statements and the Statement of Net Activities

The governmental funds statement of revenues, expenditures, and change in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays and contributions are reported in the governmental fund as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlays and contributions	\$ 11,546,764
Transfer of assets to storm water fund	(19,223,736)
Depreciation expense	(1,423,132)
Loss on disposal of assets	<u>(4,842)</u>
Net difference, as reported	<u><u>\$ (9,104,946)</u></u>

3. DEPOSITS AND INVESTMENTS

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

As of June 30, 2021, the City’s demand deposits and cash on hand amounted to \$28,644,437.

Deposits – Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

3. DEPOSITS AND INVESTMENTS (CONTINUED)

The City follows the requirements of UMMA (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository, which is defined as a financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. UMMA defines types of securities authorized as appropriate investments for the City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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

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

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Investments

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

- Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2021, the City had the following recurring fair value measurements.

	06/30/21	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
PTIF	\$28,257,414	\$ -	\$28,257,414	\$ -
Total debt securities	<u>\$28,257,414</u>	<u>\$ -</u>	<u>\$28,257,414</u>	<u>\$ -</u>

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

Custodial credit risk – deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2021, \$113,916 of the City's \$363,916 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized. UMMA does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. UMMA requires that the City keep deposits in a qualified depository, which the City has done.

Custodial credit risk – investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. Of the City's investment in the PTIF of \$28,257,414, the City has no custodial credit risk exposure as the PTIF is an external investment pool managed by the Utah State Treasurer and is not categorized as to custodial credit risk.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for limiting the credit risks of investments is to comply with UMMA.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no formal policy relating to specific investment-related interest rate risk. The City manages its exposure by investing mainly in the PTIF and by adhering to UMMA. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2021, the City’s investments had the following maturities and ratings:

Investment Type	Fair Value	Investment Maturities (in Years)		Quality Ratings
		Less Than 1	1-5	
PTIF	\$ 28,257,414	\$ 28,257,414	\$ -	Unrated
	<u>\$ 28,257,414</u>	<u>\$ 28,257,414</u>	<u>\$ -</u>	

Concentration of credit risk is the risk of loss attributed to the magnitude of a City’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the rules of the Money management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. The City’s investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer.

The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasurers’ Office.

The City did not enter into any reverse repurchase agreements during the year. Bond deposits are held by an appointed trustee in accordance with the Bond Resolutions. Repurchase agreements are secured by uninsured, unregistered securities held by the counter party but not in the City’s name.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

4. ACCOUNTS RECEIVABLE

Receivables as of June 30, 2021 for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue Fund	Storm Water Fund	Total
Receivables:				
Taxes	\$ 14,198,542	\$ 1,150,876	-	\$ 15,349,418
Accounts and others	-	-	221,485	221,485
Intergovernmental	516,262	-	-	516,262
Gross receivables	14,714,804	1,150,876	221,485	16,087,165
Less: allowance for uncollectibles	-	-	-	-
Net total receivables	<u>\$ 14,714,804</u>	<u>\$ 1,150,876</u>	<u>\$ 221,485</u>	<u>\$ 16,087,165</u>

Governmental funds report deferred revenue as deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2021, the various components of deferred revenue and unearned revenue reported in the government funds were as follows:

	Deferred Inflows of Resources	Unearned
Property taxes receivable	\$ 11,075,860	\$ -
Property taxes receivable (CRA)	1,150,000	-
ARPA funds	-	3,989,825
Total deferred inflows of resources/ unearned revenue, governmental funds	<u>\$ 12,225,860</u>	<u>\$ 3,989,825</u>

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	7/1/20	Increases	Transfers	Decreases	6/30/21
<u>Governmental activities</u>					
Capital assets:					
Land	\$ 85,847,988	\$ 6,219,836	\$ -	\$ -	\$ 92,067,824
Buildings	1,149,259	-	-	-	1,149,259
Improvements	1,756,065	4,527,860	-	-	6,283,925
Infrastructure	82,440,971	732,769	(20,812,815)	-	62,360,925
Machinery and equipment	513,313	66,299	-	(16,458)	563,154
Total capital assets	171,707,596	11,546,764	(20,812,815)	(16,458)	162,425,087
Accumulated depreciation:					
Buildings	(43,446)	(22,985)	-	-	(66,431)
Improvements	(14,472)	(53,324)	-	11,616	(56,180)
Infrastructure	(6,493,535)	(1,243,899)	1,589,079	-	(6,148,355)
Machinery and equipment	(229,975)	(102,924)	-	-	(332,899)
Total accumulated depreciation	(6,781,428)	(1,423,132)	1,589,079	11,616	(6,603,865)
Net governmental capital assets	\$ 164,926,168	\$ 10,123,632	\$ (19,223,736)	\$ (4,842)	\$ 155,821,222
<u>Business-type activities</u>					
Capital assets:					
Storm water infrastructure	\$ -	\$ -	\$ 20,812,815	\$ -	\$ 20,812,815
Equipment	-	63,499	-	-	63,499
Total capital assets	-	63,499	20,812,815	-	20,876,314
Accumulated depreciation:					
Storm water infrastructure	-	(413,607)	(1,589,079)	-	(2,002,686)
Equipment	-	(12,314)	-	-	(12,314)
Total accumulated depreciation	-	(425,921)	(1,589,079)	-	(2,015,000)
Net business-type capital assets	\$ -	\$ (362,422)	\$ 19,223,736	\$ -	\$ 18,861,314

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:

General government	\$ 179,233
Highways and public improvements	1,243,899
Total depreciation expense - governmental activities	<u>\$ 1,423,132</u>

Business-type activities:

Storm water	\$ 425,921
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MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

6. SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

The City issues tax and revenue anticipation notes in advance of property tax and other revenue collections, depositing the proceeds in its general fund. These notes are necessary because the City's payments for contract services are made throughout the year, whereas property tax collections are received primarily in November and December.

Short-term debt activity for the year ended June 30, 2021 was as follows:

	<u>7/1/20</u>	<u>Issued</u>	<u>Redeemed</u>	<u>6/30/21</u>
Tax and revenue anticipation notes	\$ -	\$ 6,035,000	\$ (6,035,000)	\$ -

The City does not plan on issuing any additional tax and revenue anticipation notes going forward.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/21</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Sales tax revenue	\$ 17,345,000	\$ -	\$ -	\$ 17,345,000	\$ -
Premium	2,758,244	-	(142,056)	2,616,188	-
Total bonds payable	20,103,244	-	(142,056)	19,961,188	-
Compensated absences	246,138	218,025	(268,086)	196,077	166,665
Net pension liability	648,162	-	(560,576)	87,586	-
Governmental activity long-term liabilities	<u>\$ 20,997,544</u>	<u>\$ 218,025</u>	<u>\$ (970,718)</u>	<u>\$ 20,244,851</u>	<u>\$ 166,665</u>
	<u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/21</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Compensated absences	\$ -	\$ 29,941	\$ (4,631)	\$ 25,310	\$ 21,514
Net pension liability	-	9,731	-	9,731	-
Business-type activity long-term liabilities	<u>\$ -</u>	<u>\$ 39,672</u>	<u>\$ (4,631)</u>	<u>\$ 35,041</u>	<u>\$ 21,514</u>

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Outstanding as of 6/30/21</u>
Sales Tax Revenue Bonds, Series 2019	\$17,345,000	\$140,000 to \$1,770,000	4% to 5%	12/1/39	\$ 17,345,000
	<u>\$17,345,000</u>				<u>\$ 17,345,000</u>

On July 30, 2019, the City issued Sales Tax Revenue Bonds Series 2019 in the amount of \$17,345,000. The bonds were sold at a premium of \$2,888,462 with an underwriter's discount and bond issuance costs totaling \$233,462, resulting in total proceeds of \$20,000,000. The bonds were issued for the acquisition and improvement of property within the City's reinvestment area.

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 721,800	\$ 721,800
2023	-	721,800	721,800
2024	-	721,800	721,800
2025	140,000	718,300	858,300
2026	280,000	707,800	987,800
2027 - 2031	3,385,000	3,161,400	6,546,400
2032 - 2036	6,860,000	2,054,000	8,914,000
2037 - 2040	6,680,000	547,800	7,227,800
	<u>\$17,345,000</u>	<u>\$ 9,354,700</u>	<u>\$ 26,699,700</u>

8. RETIREMENT SYSTEMS AND PENSION PLANS

General Information About the Pension Plan

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

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

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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

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

URS issues a publicly available financial report that can be obtained by writing Utah Retirement System, 560 E 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Summary of Benefits by System

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%

*with actuarial reductions

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

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the 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, 2021 are as follows:

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Contribution Rate Summary (Continued)

	Employee Paid	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System			
111- Local Governmental Division Tier 2	N/A	15.80%	0.89%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%

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

For fiscal year ended June 30, 2021, the employer and employee contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Tier 2 Public Employees System	142,376	-
Tier 2 DC Only System	24,831	N/A
Total Contributions	\$ 420,451	\$ -

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

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

At June 30, 2021, the City reported a net pension asset of \$0 and a net pension liability of \$97,317.

	(Measurement Date): December 31, 2020				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2019	Change
Noncontributory System	\$ -	\$ 89,870	0.1752062%	0.1684213%	0.0067849%
Tier 2 Public Employees System	-	7,447	0.0517776%	0.0595987%	-0.0078211%
Total Net Pension Asset / Liability	\$ -	\$ 97,317			

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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, 2021, the City recognized pension expense of \$388,306.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 127,423	\$ 3,410
Changes in assumptions	9,420	12,027
Net difference between projected and actual earnings on pension plan investments	-	678,009
Changes in proportion and differences between contributions and proportionate share of contributions	237,545	-
Contributions subsequent to the measurement date	214,898	-
Total	\$ 589,286	\$ 693,446

\$214,898 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2020.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2021	\$ 27,758
2022	(23,076)
2023	(230,715)
2024	(110,077)
2025	2,732
Thereafter	14,320

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the City recognized pension expense of \$315,203.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,568	\$ -
Changes in assumptions	-	11,756
Net difference between projected and actual earnings on pension plan investments	-	656,241
Changes in proportion and differences between contributions and proportionate share of contributions	222,979	-
Contributions subsequent to the measurement date	<u>128,804</u>	<u>-</u>
Total	<u>\$ 472,351</u>	<u>\$ 667,997</u>

\$128,804 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2020.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2021	\$	31,281
2022		(21,082)
2023		(225,853)
2024		(108,796)
2025		-
Thereafter		-

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2021, the City recognized pension expense of \$73,102.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,855	\$ 3,410
Changes in assumptions	9,420	271
Net difference between projected and actual earnings on pension plan investments	-	21,768
Changes in proportion and differences between contributions and proportionate share of contributions	14,567	-
Contributions subsequent to the measurement date	<u>86,094</u>	<u>-</u>
Total	<u>\$ 116,936</u>	<u>\$ 25,449</u>

\$86,094 reported as deferred outflows of resources related to pensions results from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2020.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources	
2021	\$	(3,523)
2022		(1,994)
2023		(4,863)
2024		(1,281)
2025		2,732
Thereafter		14,320

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2020 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 of 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. 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 or each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	37%	6.30%	2.33%
Debt securities	20%	0.00%	0.00%
Real assets	15%	6.19%	0.93%
Private equity	12%	9.50%	1.14%
Absolute return	16%	2.75%	0.44%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
		Inflation	2.50%
		Expected arithmetic nominal return	7.34%

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.95 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 of 6.95 percent was unchanged from the prior measurement period.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,558,092	\$ 89,870	\$ (1,134,113)
Tier 2 Public Employees System	125,312	7,447	(82,716)
Total	<u>\$ 1,683,404</u>	<u>\$ 97,317</u>	<u>\$ (1,216,829)</u>

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits 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.

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

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

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

8. RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

Defined Contribution Savings Plans (Continued)

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
401(k) Plan*			
Employer contributions	\$ 261,357	\$ 260,538	\$ 214,189
Employee contributions	193,126	174,862	143,063
457 Plan			
Employer contributions	-	-	-
Employee contributions	34,700	28,400	12,552
Roth IRA Plan			
Employer contributions	N/A	N/A	N/A
Employee contributions	4,810	5,510	7,405

* The employer paid 401(k) contributions include the totals paid for employees in the Tier 2 Defined Contribution 401(k) Plan.

9. COMMITMENTS

The City has entered into several contracts with other governmental agencies to provide various services. These services include Public Safety (police and animal services) and Public Works. The term of each of these contracts is one year or less.

10. CONTINGENT LIABILITIES

The City is involved in various claims and legal actions arising in the ordinary course of events. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the City's financial position or results of operations.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2021, there were no outstanding unpaid claims for the City. Also, the City had no claim settlements during the three years ending June 30, 2021 which exceeded its insurance coverage. The City also has fidelity bond coverage with a private carrier.

MILLCREEK
Notes to the Financial Statements (Continued)
June 30, 2021

12. TRANSFERS RECONCILIATION

Transfers among the funds for the year ended June 30, 2021 are described below. Transfers are made to meet the ongoing needs of the City to complete various projects.

	In	Out
General Fund	\$ -	\$6,155,183
Capital Projects Fund	6,931,183	-
Storm Water Fund	-	776,000
	\$6,931,183	\$6,931,183

13. FEDERAL FUNDING RELATED TO COVID-19

In response to the COVID-19 Pandemic, the federal government provided several funding opportunities to local government entities. Specifically, the City has received allocations from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). During fiscal year 2021, the City received \$3,770,034 from the CARES Act Coronavirus Relief Fund (CRF) via Salt Lake County. The funds were used to pay for public safety service expenses, to help support local businesses, and to facilitate a safe working environment for City employees. Additionally, the City received \$3,989,825 from the ARPA State and Local Fiscal Recovery Fund during fiscal year 2021. The entire amount has been reported as unearned revenue as none of the funds were spent in fiscal year 2021.

14. SUBSEQUENT EVENTS

On August 5, 2021, the City issued Sales Tax Revenue Bonds Series 2021 in the amount of \$36,265,000. The bonds were sold at a premium of \$3,105,424 with an underwriter's discount and bond issuance costs totaling \$370,424, resulting in total proceeds of \$39,000,000. The bonds were issued to finance the cost of new City offices and a community building, including land acquisition and construction, and all other related improvements.

MILLCREEK
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
<u>REVENUES</u>				
Interest	\$ 25,000	\$ 5,000	\$ 21,051	\$ 16,051
Miscellaneous	-	1,900,789	-	(1,900,789)
Total revenues	<u>25,000</u>	<u>1,905,789</u>	<u>1,921,840</u>	<u>16,051</u>
<u>EXPENDITURES</u>				
Capital outlay	<u>3,924,597</u>	<u>11,736,569</u>	<u>5,272,313</u>	<u>6,464,256</u>
Total expenditures	<u>3,924,597</u>	<u>11,736,569</u>	<u>5,272,313</u>	<u>6,464,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,899,597)</u>	<u>(9,830,780)</u>	<u>(3,350,473)</u>	<u>6,480,307</u>
<u>OTHER FINANCING SOURCES</u>				
Transfers in	-	6,931,183	6,931,183	-
Transfers out	-	(1,000,000)	-	1,000,000
Total other financing sources	<u>-</u>	<u>5,931,183</u>	<u>6,931,183</u>	<u>1,000,000</u>
Net change in fund balance	(3,899,597)	(3,899,597)	3,580,710	7,480,307
Fund balance at beginning of year	<u>5,835,406</u>	<u>5,835,406</u>	<u>5,835,406</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,935,809</u>	<u>\$ 1,935,809</u>	<u>\$ 9,416,116</u>	<u>\$ 7,480,307</u>

MILLCREEK
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Park Impact Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Special assessments	\$ -	\$ -	\$ 162,203	\$ 162,203
Total revenues	<u>-</u>	<u>-</u>	<u>162,203</u>	<u>162,203</u>
Net change in fund balance	-	-	162,203	162,203
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,203</u>	<u>\$ 162,203</u>

MILLCREEK
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of its Covered Payroll
Noncontributory System	2018	0.1140939%	\$ 840,156	\$ 920,290	91.29%	87.00%
	2019	0.1684213%	634,758	1,297,950	48.90%	93.70%
	2020	0.1752062%	89,871	1,329,498	6.76%	99.20%
Tier 2 Public Employees System	2018	0.0350169%	\$ 14,997	\$ 406,399	3.69%	90.80%
	2019	0.0595987%	13,404	828,342	1.62%	96.50%
	2020	0.0517776%	7,447	827,639	0.90%	98.30%

Note:

* This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

MILLCREEK
Schedule of Pension Contributions
Last Ten Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Noncontributory System	2018	\$ 83,431	\$ 83,431	\$ -	\$ 451,711	18.47%
	2019	214,893	214,893	-	1,165,396	18.44%
	2020	246,160	246,160	-	1,332,755	18.47%
	2021	253,244	253,244	-	1,371,109	18.47%
Tier 2 Public Employees System*	2018	28,752	28,752	-	190,281	15.11%
	2019	103,052	103,052	-	663,143	15.54%
	2020	128,272	128,272	-	819,108	15.66%
	2021	142,376	142,376	-	901,108	15.80%
Tier 2 Public Employees DC Only System*	2018	942	942	-	14,080	6.69%
	2019	5,844	5,844	-	87,351	6.69%
	2020	15,459	15,459	-	228,177	6.78%
	2021	24,831	24,831	-	369,975	6.71%

Note:

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

* 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.

MILLCREEK
Notes to the Required Supplementary Information
June 30, 2021

1. ACTUARIALLY DETERMINED PENSION CONTRIBUTIONS

Contribution rates include an amount for normal cost, the estimated amount necessary to finance benefits earned by the members during the current year, and an amount for amortization of the unfunded or excess funded actuarial accrued liability over a closed 20-year amortization period. The rates are determined using the entry age actuarial cost method.

Contributions made were in accordance with actuarially computed funding requirements. For contribution rate purposes, the actuary evaluates the assets of the plan based on a 5-year smoothed expected return wherein 20 percent of a year's excess or shortfall of expected return is recognized each year for five years.

2. CHANGE IN ASSUMPTIONS

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and Stats" tab.

**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***

Mayor and City Council
Millcreek, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Millcreek, Utah (the City), as of and for the year ended June 30, 2021, 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 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material 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.

December 3, 2021

**INDEPENDENT AUDITOR’S REPORT IN ACCORDANCE WITH
THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE
WITH GENERAL STATE COMPLIANCE REQUIREMENTS,
AND INTERNAL CONTROL OVER COMPLIANCE**

Mayor and City Council
Millcreek, Utah

Report On Compliance with General State Compliance Requirements

We have audited Millcreek, Utah's (the City) compliance with general 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 for the year ended June 30, 2021.

General state compliance requirements were tested for the year ended June 30, 2021 in the following areas:

Budgetary Compliance	Fund Balance
Fraud Risk Assessment	Restricted Taxes and Related Revenues
Government Fees	Enterprise Fund Transfers and Services
Impact Fees	

Management’s Responsibility

Management is responsible for compliance with the general 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 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 compliance requirements referred to above that could have a direct and material effect on the City 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 with general state compliance requirements. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements

In our opinion, Millcreek, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

Purpose of Report

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

December 3, 2021