

HYRUM CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR’S REPORT

To the Mayor and City Council Members
Hyrum City Corporation
Hyrum City, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hyrum City Corporation, Utah (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hyrum City Corporation'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 Hyrum City Corporation'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 4-11 and the Schedule of Required Supplementary Information Utah Retirement Systems on pages 49-51 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hyrum City Corporation's basic financial statements. The capital project fund statement of revenues, expenditures and changes in fund balance, budget to actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the capital project fund statement of revenues, expenditures and changes in fund balance, budget to actual, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, on our consideration of Hyrum City Corporation'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 effectiveness of Hyrum City Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hyrum City Corporation's internal control over financial reporting and compliance.

Wiggins & Co., P.C.

Brigham City, Utah
November 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hyrum City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2022. The General Fund includes government-type activities such as administration, fire and first responder services, police protection, roads, parks, senior citizen center, library, etc. The Enterprise Funds comprise utilities of water, sewer, electric, pressurized irrigation and storm water. Questions concerning any information provided in this report or requests for additional information should be addressed to: Hyrum City Corporation, 60 West Main, Hyrum, Utah 84319.

FINANCIAL HIGHLIGHTS

- The total net position of Hyrum City increased by \$5,471,593 totaling \$57,591,173. The governmental activities net position increased by \$257,686 and the business-type activities net position increased by \$5,213,907.
- The total net position of governmental and business-type activities is \$57,591,173 and is made up of \$40,889,613 in capital assets net of related debt, such as land, infrastructure and equipment, and \$16,701,560 in other net position. The \$16,701,560 in other net position is made up of \$1,883,215, which is restricted for capital projects; \$389,820 is restricted for debt service items related to the sewer bonds and a loan; and the remaining \$14,428,525 is unrestricted.
- Total long-term liabilities for the City decreased by \$748,717. The long-term debt for governmental activities decreased as the unfunded pension liability decreased by \$26,996 and the obligations for compensated absences increased by \$14,371. The business-type activities long-term debt decreased by \$734,346, with a decrease in net unfunded pension liability of \$57,995 and a \$47,883 increase in obligations for compensated absences, a decrease in bonds payable of \$704,000, a decrease in loan payable of \$42,010, and an increase in lease liability by \$21,775.

REPORTING THE CITY AS A WHOLE

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

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

The statement of net position presents information on all of Hyrum City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with

the difference between the two groups reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hyrum City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net position changed during the fiscal year reported. Regardless of the timing of related cash flows, changes in net position are reported as soon as the underlying event occurs that gives rise to the change. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received.

Both of the government-wide financial statements distinguish functions of Hyrum City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

- Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statement.
- The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The major funds reported are the General Fund and the Capital Project Fund.

- Proprietary funds – Hyrum City maintains five types of proprietary funds, all of them being enterprise funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Hyrum City uses proprietary funds to account for Culinary Water, Sewer, Electric, Pressurized Irrigation and Storm Water. As determined by generally accepted accounting principles, all of these utility funds meet the criteria for major fund classification, except Storm Water, which is included as a non-major fund.
- Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the city. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting method used for these funds is much like that used for proprietary funds. The only fund that meets this requirement is the Justice Court Custodial Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Hyrum City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,591,173, at June 30, 2022.

By far the largest portion of Hyrum City’s net position, \$40,889,613 (71%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City’s total net position increased by \$5,471,593 as summarized below.

	2022	2021	Total Change
Governmental activities:			
Current and other assets	\$ 5,625,503	\$ 6,538,398	\$ (912,895)
Capital assets	16,551,120	14,672,371	1,878,749
Total assets	<u>22,176,623</u>	<u>21,210,769</u>	<u>965,854</u>
Deferred outflow of resources	<u>166,531</u>	<u>111,107</u>	<u>55,424</u>
Total assets and deferred outflow of resources	<u>22,343,154</u>	<u>21,321,876</u>	<u>1,021,278</u>
Current and other liabilities	2,227,734	1,821,635	(406,099)
Long-term liabilities	<u>233,097</u>	<u>247,468</u>	<u>14,371</u>
Total liabilities	<u>2,460,831</u>	<u>2,069,103</u>	<u>(391,728)</u>
Deferred inflows of resources	<u>1,233,000</u>	<u>861,136</u>	<u>(371,864)</u>
Total liabilities and deferred inflows of resources	<u>3,693,831</u>	<u>2,930,239</u>	<u>(763,592)</u>
Net position:			
Investment in capital assets, net of related debt	16,171,662	14,665,899	1,505,763
Restricted	1,883,215	2,131,882	(248,667)
Unrestricted	594,446	1,593,856	(999,410)
Total net position	<u>\$ 18,649,323</u>	<u>\$ 18,391,637</u>	<u>\$ 257,686</u>
Business-type activities:			
Current and other assets	\$ 14,756,185	\$ 11,911,825	\$ 2,844,360
Capital assets	29,175,021	27,328,277	1,846,744
Total assets	<u>43,931,206</u>	<u>39,240,102</u>	<u>4,691,104</u>
Deferred outflow of resources	<u>249,794</u>	<u>239,290</u>	<u>10,504</u>
Total assets and deferred outflow of resources	<u>44,181,000</u>	<u>39,479,392</u>	<u>4,701,608</u>
Current and other liabilities	1,303,845	1,689,628	385,783
Long-term liabilities	<u>2,921,096</u>	<u>3,655,487</u>	<u>734,391</u>
Total liabilities	<u>4,224,941</u>	<u>5,345,115</u>	<u>1,120,174</u>
Deferred inflows of resources	<u>1,014,209</u>	<u>426,719</u>	<u>587,490</u>
Total liabilities and deferred inflows of resources	<u>5,239,150</u>	<u>5,771,834</u>	<u>1,707,664</u>
Net position:			
Investment in capital assets, net of related debt	24,717,951	23,841,328	876,623
Restricted	389,820	387,879	1,941
Unrestricted	<u>13,834,079</u>	<u>9,498,736</u>	<u>4,335,343</u>
Total net position	<u>\$ 38,941,850</u>	<u>\$ 33,727,943</u>	<u>\$ 5,213,907</u>

	2022	2021	Total Change
Governmental activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 1,935,272	\$ 1,981,786	\$ (46,514)
Operating grants	719,921	635,609	84,312
Capital grants and contributions	788,005	2,481,916	(1,693,911)
General revenues:			
Property taxes	726,461	660,909	65,552
Sales & Mass Transit taxes	2,188,538	1,829,924	358,614
Energy taxes	592,107	465,425	126,682
Franchise taxes	53,771	52,775	996
Unrestricted investment earnings	27,766	20,162	7,604
Gain (loss) on sale of capital assets	56,150	(4,889)	61,039
Total revenues	<u>7,087,991</u>	<u>8,123,617</u>	<u>(1,035,627)</u>
Expenses:			
Legislative	38,647	34,805	3,842
Judicial	125,547	91,495	34,052
Administration	262,792	194,774	68,018
Other general government	57,011	50,364	6,647
Public safety	669,633	299,391	370,242
Highways and streets	889,354	1,076,371	(187,017)
Sanitation	901,398	819,834	81,564
Planning, zoning and engineering	98,880	91,511	7,369
Culture, parks and recreation	1,016,086	953,623	62,463
Shop	29,282	25,404	3,878
Senior citizens	127,481	72,180	55,301
Cemetery	178,157	69,644	108,513
Community progress	426,005	1,000,247	(574,242)
Total expenses	<u>4,820,273</u>	<u>4,779,643</u>	<u>40,630</u>
Net revenues over expenses	2,267,718	3,343,974	(1,076,257)
Transfers	<u>(2,010,032)</u>	<u>-</u>	<u>(2,010,032)</u>
Change in net position	<u>\$ 257,686</u>	<u>\$ 3,343,974</u>	<u>\$ (3,086,289)</u>
Business-type activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 13,901,538	\$ 12,591,076	1,310,462
Operating grants			-
Capital grants and contributions	1,666,091	2,150,553	(484,462)
General revenues:			
Unrestricted investment earnings	51,669	54,347	(2,678)
Gain on sale of capital assets	250	55,907	(55,657)
Total revenues	<u>15,619,548</u>	<u>14,851,883</u>	<u>767,665</u>
Expenses:			
Water	1,228,660	1,208,202	20,458
Sewer	1,384,292	1,710,838	(326,546)
Electrical	9,333,183	8,248,205	1,084,978
Irrigation	335,967	487,522	(151,555)
Storm Water	133,571	109,545	24,026
Total expenses	<u>12,415,673</u>	<u>11,764,312</u>	<u>651,361</u>
Net revenues over expenses	3,203,875	3,087,571	116,304
Transfers	<u>2,010,032</u>	<u>-</u>	<u>2,010,032</u>
Change in net position	<u>\$ 5,213,907</u>	<u>\$ 3,087,571</u>	<u>\$ 2,126,336</u>

The decrease in revenues was from a decrease in unrestricted investment earnings \$4,926; \$5,382 came from a increase in gain (loss) on sale of capital assets; and \$996 increase in franchise tax. The remaining amount comes from an increase in charges for services \$1,263,948; \$2,178,373 decrease in capital grants and contributions; \$84,312 increase in operating grants; \$65,552 increase in property taxes; \$126,682 increase in energy taxes and \$358,614 from an increase in sales and mass transit tax revenue.

The City continues to invest in improvement and facilities such as roads, lighting, sidewalks, parks, and construction costs for a new fire station. The increase in expenditures is mainly due to more revenue coming in so the City could work on essential projects. The major costs come in the form of park facility costs, road improvements and maintenance, water line upgrades, subdivision electrical work, fire station construction, trail construction and construction costs for ongoing subdivision costs.

FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

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

As of June 30, 2022, the City's governmental funds (General & Capital Projects) reported combined fund balances of \$2,681,418. This represents a decrease of \$1,378,792 from 2021's ending balances.

The general fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 50% of total general fund revenues. The largest element of taxes is sales tax, representing 61% of total tax revenue and 31% of total general fund revenues.

As stated earlier, the City maintains several enterprise funds to account for business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal 2021-22, the General Fund original budget for revenues was amended from \$6,471,652 to \$8,194,216 mostly due to ARPA Act money and increased sales tax. The original budget for expenditures was amended from \$6,799,180 to \$6,588,180 to account for decrease in grant expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Hyrum City’s investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$96,105,998. Accumulated depreciation on capital assets was \$(52,002,406). Net capital assets amounted to \$44,103,592 at June 30, 2022. The investment in capital assets includes land, buildings, improvements, infrastructure (roads, sidewalks, curb and gutter, water plant, sewer plant, electric plant and distribution, irrigation plant and storm water improvements) and machinery and equipment. The total increase in the City’s investment in capital assets during 2022 was \$5,012,557. Depreciation expense for 2022 was \$2,580,873 with \$1,069,573 recorded in governmental activities and \$1,511,300 recorded in business-type activities.

Major capital asset events during this fiscal year include the following:

- Sewer upgrades and expansion \$5,403,419
- Equipment purchases \$1,240,728
- Road expansion \$536,195

	<u>2022</u>	<u>2021</u>	<u>Total Change</u>
Governmental activities:			
Land	\$ 912,194	\$ 912,194	\$ -
Buildings	7,821,151	7,821,151	-
Improvements	3,907,725	3,728,150	179,575
Machinery and equipment	4,059,702	3,772,141	287,561
Infrastructure	11,802,924	11,446,304	356,620
Construction in progress	<u>5,837,547</u>	<u>4,152,437</u>	<u>1,685,110</u>
Total capital assets	34,341,243	31,832,377	2,508,866
Less: accumulated depreciation	<u>(18,169,580)</u>	<u>(17,166,477)</u>	<u>(1,003,103)</u>
Net capital assets	<u>\$ 16,171,663</u>	<u>\$ 14,665,900</u>	<u>\$ 1,505,763</u>

Business-type activities:

Land	\$ 1,561,739	\$ 1,561,739	\$ -
Water shares and other rights	2,143,608	2,143,608	-
Payson power entitlement	101,112	101,112	-
Buildings	15,917,953	10,514,536	5,403,417
Improvements	33,867,868	33,617,344	250,524
Machinery and equipment	5,638,180	4,871,233	766,947
Construction in progress	<u>2,534,296</u>	<u>6,451,492</u>	<u>(3,917,196)</u>
Total capital assets	61,764,756	59,261,064	2,503,692
Less: accumulated depreciation	<u>(33,832,826)</u>	<u>(32,321,526)</u>	<u>(1,511,300)</u>
Net capital assets	<u>\$ 27,931,930</u>	<u>\$ 26,939,538</u>	<u>\$ 992,392</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – As of June 30, 2022, the City had total outstanding debt of \$3,154,193.

Hyrum City's outstanding long-term debt is summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>Total Change</u>
Governmental activities:			
Compensated absences	\$ 233,097	\$ 220,472	\$ 12,625
Unfunded Pension liability	<u>-</u>	<u>26,996</u>	<u>(26,996)</u>
Total Governmental activities	<u>233,097</u>	<u>247,468</u>	<u>(14,371)</u>
Business-type activities:			
Compensated absences	546,262	498,378	47,884
Unfunded Pension liability	-	57,995	(57,995)
USDA Loan Payable	2,353,059	2,395,069	(42,010)
Sewer Revenue Bonds Payable	-	704,000	(704,000)
Lease Liability	<u>21,775</u>	<u>-</u>	<u>21,775</u>
Total Business-type activities	<u>2,921,096</u>	<u>3,655,442</u>	<u>(734,346)</u>
Total Outstanding Long-term Debt	<u>\$ 3,154,193</u>	<u>\$ 3,902,910</u>	<u>\$ (748,717)</u>

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report. The financial report is available for review and inspection at the Hyrum City offices located at: 60 West Main, Hyrum UT 84319.

HYRUM CITY CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 4,468,375	\$ 10,813,549	\$ 15,281,924
Receivables:			
Taxes	748,171	-	748,171
Accounts	280,966	1,710,021	1,990,987
Intergovernmental	103,301	-	103,301
Inventory	-	2,227,365	2,227,365
Prepaid expenses	24,690	5,250	29,940
Total current assets	5,625,503	14,756,185	20,381,688
Non-current assets			
Restricted cash and cash equivalents:			
Revenue bond covenant accounts	-	389,820	389,820
Receivables:			
Taxes	3,251	-	3,251
Lease	-	267,009	267,009
Net pension asset	376,207	564,487	940,694
Right of use asset (net of accumulated amortization)	-	21,775	21,775
Capital assets (net of accumulated depreciation):			
Land and easements	912,194	1,561,738	2,473,932
Water stock and rights	-	2,143,608	2,143,608
Buildings	2,284,031	7,778,804	10,062,835
Improvements	1,860,756	11,540,252	13,401,008
Machinery and equipment	1,325,904	2,272,120	3,598,024
Infrastructure	3,951,231	-	3,951,231
Payson electric entitlement	-	101,112	101,112
Construction in progress	5,837,546	2,534,296	8,371,842
Total non-current assets	16,551,120	29,175,021	45,726,141
Total Assets	22,176,623	43,931,206	66,107,829
Deferred Outflows of Resources:			
Deferred outflow of resources-pension amounts	166,531	249,794	416,325
Total deferred outflows of Resources	166,531	249,794	416,325
Total Assets and Deferred Outflow of Resources	22,343,154	44,181,000	66,524,154
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	326,182	875,837	1,202,019
Deposits and retainage payable	1,391,520	427,557	1,819,077
Deferred grant revenue	510,032	-	510,032
Accrued interest payable	-	451	451
Total current liabilities	2,227,734	1,303,845	3,531,579
Long-term liabilities			
Compensated absences	233,097	546,261	779,358
Noncurrent liabilities - due within one year	-	53,524	53,524
Noncurrent liabilities - due in more than one year	-	2,321,311	2,321,311
Total long-term liabilities	233,097	2,921,096	3,154,193
Deferred inflows of resources:			
Pension related items	513,396	770,176	1,283,572
Leases	-	244,033	244,033
Unearned revenue-property taxes	719,604	-	719,604
Total Deferred Inflows of Resources	1,233,000	1,014,209	2,247,209
Total Liabilities and Deferred Inflows of Resources	3,693,831	5,239,150	8,932,981
NET POSITION			
Investment in capital assets, net of debt	16,171,662	24,717,951	40,889,613
Restricted for:			
Debt service	-	389,820	389,820
Capital projects	1,883,215	-	1,883,215
Unrestricted	594,446	13,834,079	14,428,525
Total Net Position	\$ 18,649,323	\$ 38,941,850	\$ 57,591,173

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

HYRUM CITY CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Primary Government			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<u>FUNCTIONS/PROGRAMS</u>							
PRIMARY GOVERNMENT							
Governmental activities:							
Legislative	\$ 38,647	\$ -	\$ -	\$ -	\$ (38,647)	\$ -	\$ (38,647)
Judicial	125,547	114,786	-	-	(10,761)	-	(10,761)
Administration	262,792	165,554	-	-	(97,238)	-	(97,238)
Other general government	57,011	104,794	-	-	47,783	-	47,783
Public safety	669,633	316,279	-	-	(353,354)	-	(353,354)
Highways and streets	889,354	-	642,566	485,649	238,861	-	238,861
Sanitation	901,398	983,739	-	-	82,341	-	82,341
Planning, zoning and engineering	98,880	131,526	-	-	32,646	-	32,646
Culture, parks and recreation	1,016,086	38,244	77,355	-	(900,487)	-	(900,487)
Shop	29,282	-	-	-	(29,282)	-	(29,282)
Senior citizens	127,481	-	-	-	(127,481)	-	(127,481)
Cemetery	178,157	80,350	-	-	(97,807)	-	(97,807)
Community progress	426,005	-	-	302,356	(123,649)	-	(123,649)
Total governmental activities	<u>4,820,273</u>	<u>1,935,272</u>	<u>719,921</u>	<u>788,005</u>	<u>(1,377,075)</u>	<u>-</u>	<u>(1,377,075)</u>
Business-type activities:							
Water	1,228,660	1,423,403	-	464,629	-	659,372	659,372
Sewer	1,384,292	1,989,102	-	880,246	-	1,485,056	1,485,056
Electric	9,333,183	9,737,015	-	238,640	-	642,472	642,472
Irrigation	335,967	415,131	-	82,576	-	161,740	161,740
Storm Water	133,571	336,887	-	-	-	203,316	203,316
Total business-type activities	<u>12,415,673</u>	<u>13,901,538</u>	<u>-</u>	<u>1,666,091</u>	<u>-</u>	<u>3,151,956</u>	<u>3,151,956</u>
Total primary government	<u>\$ 17,235,946</u>	<u>\$ 15,836,810</u>	<u>\$ 719,921</u>	<u>\$ 2,454,096</u>	<u>(1,377,075)</u>	<u>3,151,956</u>	<u>1,774,881</u>
General revenues							
Property taxes					726,461	-	726,461
Sales & mass transit taxes					2,188,538	-	2,188,538
Energy tax					592,107	-	592,107
Franchise tax					53,771	-	53,771
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					27,766	51,669	79,435
Gain (loss) on sale of capital assets					56,150	250	56,400
Transfers					(2,010,032)	2,010,032	-
Total general revenues and transfers					<u>1,634,761</u>	<u>2,061,951</u>	<u>3,696,712</u>
Change in net position					257,686	5,213,907	5,471,593
Net position - beginning as adjusted					18,391,637	33,727,943	52,119,580
Net position - ending					<u>\$ 18,649,323</u>	<u>\$ 38,941,850</u>	<u>\$ 57,591,173</u>

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

HYRUM CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,584,320	\$ 1,884,055	\$ 4,468,375
Receivables:			
Taxes	748,171	-	748,171
Accounts	280,966	-	280,966
Intergovernmental	103,301	-	103,301
Prepaid expenses	24,690	-	24,690
Total assets	\$ 3,741,448	\$ 1,884,055	\$ 5,625,503
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 325,343	\$ 840	\$ 326,183
Contracts and deposits payable	1,391,520	-	1,391,520
Total liabilities	1,716,863	840	1,717,703
Deferred inflow of resources- Unearned property taxes	716,350	-	716,350
Deferred revenue- ARPA funds	510,032	-	510,032
Total liabilities and deferred inflow of resources	2,943,245	840	2,944,085
 Fund balances			
Assigned:			
Museum	15,935	-	15,935
Elite Hall	3,604	-	3,604
First responders	5,601	-	5,601
Fire department	277,569	-	277,569
Senior Center	36,037	-	36,037
Parks and Trails	-	1,883,215	1,883,215
Unassigned	459,457	-	459,457
Total fund balances	798,203	1,883,215	2,681,418
Total liabilities and fund balances	\$ 3,741,448	\$ 1,884,055	\$ 5,625,503

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

HYRUM CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances-governmental funds \$ 2,681,418

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 912,194	
Buildings	7,821,150	
Improvements	3,907,725	
Machinery and equipment	4,059,702	
Infrastructure	11,802,924	
Construction in progress	5,837,547	
Accumulated depreciation	<u>(18,169,580)</u>	
Total capital assets		16,171,662

Some of the City's property taxes will not be collected in the current year, and are not available soon enough to pay for the current period's expenditures and are not reported in the fund statements -

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Deferred outflows of resources-pension items	\$ 166,531	
Net pension asset	376,207	
Deferred inflows of resources-pension items	(513,397)	
Compensated absences	<u>(233,098)</u>	
Total liabilities		<u>(203,757)</u>

Total net position-governmental activities \$ 18,649,323

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

HYRUM CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Capital Project Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 726,461	\$ -	\$ 726,461
Sales	1,981,198	-	1,981,198
Energy	592,107	-	592,107
Franchise	53,771	-	53,771
Mass transit	207,340	-	207,340
Licenses and permits	132,676	-	132,676
Intergovernmental	944,922	-	944,922
Charges for services	1,668,101	-	1,668,101
Fines	114,786	-	114,786
Miscellaneous	19,709	-	19,709
Contributions	77,355	-	77,355
Investment earnings	20,049	7,717	27,766
Total revenues	<u>6,538,475</u>	<u>7,717</u>	<u>6,546,192</u>
EXPENDITURES			
Current:			
Legislative	38,647	-	38,647
Judicial	138,919	-	138,919
Administration	201,068	-	201,068
Other general government	329,822	-	329,822
Public safety	772,554	9,536	782,090
Highways and streets	959,176	-	959,176
Sanitation	901,398	-	901,398
Planning, zoning and engineering	142,001	-	142,001
Culture, parks and recreation	1,094,484	1,246,848	2,341,332
Shop	29,877	-	29,877
Senior citizens	112,889	-	112,889
Cemetery	162,830	-	162,830
Community progress	422,852	-	422,852
Total expenditures	<u>5,306,517</u>	<u>1,256,384</u>	<u>6,562,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,231,958</u>	<u>(1,248,667)</u>	<u>(16,709)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,000,000	1,000,000
Transfers out	(3,010,032)	-	(3,010,032)
Impact fees	485,649	-	485,649
Proceeds from sale of assets	162,300	-	162,300
Total other financing sources and uses	<u>(2,362,083)</u>	<u>1,000,000</u>	<u>(1,362,083)</u>
Net change in fund balances	<u>(1,130,125)</u>	<u>(248,667)</u>	<u>(1,378,792)</u>
Fund balances - beginning	1,928,328	2,131,882	4,060,210
Fund balances - ending	<u>\$ 798,203</u>	<u>\$ 1,883,215</u>	<u>\$ 2,681,418</u>

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

HYRUM CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ (1,378,792)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$2,681,486 exceed depreciation (\$1,069,573) during the period. 1,611,913

Governmental funds report proceeds from sale of capital assets as revenue. However, in the statement of activities the proceeds from sale of capital assets are offset by netting the proceeds with the capital asset value and accumulated depreciation to report a gain or loss on sale of capital asset. (106,150)

Property tax revenues in the statement of activities that do not provide current financial resources are not recorded in the fund statements -

The liabilities for unfunded pension liability, compensated absences and the amounts for deferred outflows/inflows of resources-pension related items are not recorded in the governmental funds, but are reported in the statement of assets. This is the current year change in the liabilities and deferred outflows/inflows of resources, reported as expense in the statement of activities.

Net pension asset	\$ 403,203	
Compensated absences	(12,628)	
Deferred outflow of resources-pension related items	55,424	
Deferred inflow of resources-pension related items	(315,284)	
	130,715	130,715

Change in net position of governmental activities \$ 257,686

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

HYRUM CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property and fee in lieu	\$ 721,552	\$ 721,552	\$ 726,461	\$ 4,909
Sales	1,450,000	1,800,000	1,981,198	181,198
Energy	500,000	500,000	592,107	92,107
Franchise	55,000	55,000	53,771	(1,229)
Mass transit	305,000	430,000	207,340	(222,660)
Licenses and permits	76,000	190,000	132,676	(57,324)
Intergovernmental	1,625,700	2,235,064	944,922	(1,290,142)
Charges for services	1,500,200	1,987,200	1,668,101	(319,099)
Fines	106,900	106,900	114,786	7,886
Miscellaneous	38,100	38,100	19,709	(18,391)
Contributions	82,900	120,100	77,355	(42,745)
Investment earnings	10,300	10,300	20,049	9,749
Total revenues	<u>6,471,652</u>	<u>8,194,216</u>	<u>6,538,475</u>	<u>(1,655,741)</u>
EXPENDITURES				
Current:				
General government:				
Legislative	43,850	43,850	38,647	5,203
Judicial	118,600	140,600	138,919	1,681
Administration	219,800	230,800	201,068	29,732
Other general government	264,950	294,950	329,822	(34,872)
Public safety	855,830	855,830	772,554	83,276
Highways and streets	1,871,000	1,871,000	959,176	911,824
Sanitation	835,000	910,000	901,398	8,602
Planning, zoning and engineering	155,300	155,300	142,001	13,299
Culture, parks and recreation	1,206,750	1,282,750	1,094,484	188,266
Shop	45,900	45,900	29,877	16,023
Senior citizens	132,300	132,300	112,889	19,411
Cemetery	149,800	174,800	162,830	11,970
Community progress	900,100	450,100	422,852	27,248
Total expenditures	<u>6,799,180</u>	<u>6,588,180</u>	<u>5,306,517</u>	<u>1,281,663</u>
Excess of revenues over expenditures	<u>(327,528)</u>	<u>1,606,036</u>	<u>1,231,958</u>	<u>(374,078)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	272,072	3,010,032	(3,010,032)	(6,020,064)
Proceeds from sale of fixed assets	160,000	165,000	162,300	(2,700)
Impact fees	299,600	664,500	485,649	(178,851)
Total other financing sources and uses	<u>731,672</u>	<u>3,839,532</u>	<u>(2,362,083)</u>	<u>(6,201,615)</u>
Net change in fund balances	404,144	5,445,568	(1,130,125)	(6,575,693)
Fund balances - beginning	(421,018)	305,160	1,928,328	1,623,168
Fund balances - ending	<u>\$ (16,874)</u>	<u>\$ 5,750,728</u>	<u>\$ 798,203</u>	<u>\$ (4,952,525)</u>

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

HYRUM CITY CORPORATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
Current assets:						
Cash and cash equivalents	\$ 3,077,131	\$ 3,014,137	\$ 3,351,146	\$ 755,903	\$ 615,232	\$ 10,813,549
Restricted cash and cash equivalents:						
Receivables:						
Accounts	163,621	239,575	1,234,594	43,470	28,761	1,710,021
Inventory	67,945	-	2,157,012	2,408	-	2,227,365
Prepaid expenses	2,250	3,000	-	-	-	5,250
Total current assets	<u>3,310,947</u>	<u>3,256,712</u>	<u>6,742,752</u>	<u>801,781</u>	<u>643,993</u>	<u>14,756,185</u>
Noncurrent assets:						
Restricted cash and cash equivalents:						
Revenue bond accounts	-	389,820	-	-	-	389,820
Lease receivable	-	267,009	-	-	-	267,009
Right of use asset (net of accumulated amortization)	-	-	21,775	-	-	21,775
Net pension asset	84,659	141,099	310,416	18,812	9,501	564,487
Capital assets (net of accumulated depreciation):						
Land and easements	23,411	587,937	823,440	86,384	40,566	1,561,738
Water stock and rights	984,731	-	-	1,158,877	-	2,143,608
Buildings	190,185	6,641,012	947,607	-	-	7,778,804
Improvements other than buildings	3,970,543	144,032	5,189,083	1,548,998	687,596	11,540,252
Machinery & equipment	918,383	108,252	1,140,061	56,725	48,699	2,272,120
Payson electric entitlement	-	-	101,112	-	-	101,112
Construction in progress	81,863	10,686	2,440,952	795	-	2,534,296
Total noncurrent assets	<u>6,253,775</u>	<u>8,289,847</u>	<u>10,974,446</u>	<u>2,870,591</u>	<u>786,362</u>	<u>29,175,021</u>
Total assets	<u>9,564,722</u>	<u>11,546,559</u>	<u>17,717,198</u>	<u>3,672,372</u>	<u>1,430,355</u>	<u>43,931,206</u>
Deferred Outflow of Resources:						
Deferred outflow of resources-pension amounts	37,463	62,438	137,364	8,325	4,204	249,794
Total assets and deferred outflow of resources	<u>9,602,185</u>	<u>11,608,997</u>	<u>17,854,562</u>	<u>3,680,697</u>	<u>1,434,559</u>	<u>44,181,000</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES						
Current liabilities:						
Accounts payable	100,045	25,872	746,637	340	2,943	875,837
Deposits and retainage payable	-	-	427,557	-	-	427,557
Total current liabilities	<u>100,045</u>	<u>25,872</u>	<u>1,174,194</u>	<u>340</u>	<u>2,943</u>	<u>1,303,394</u>
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	42,755	-	-	-	42,755
Accrued interest payable	-	451	-	-	-	451
Current portion of lease liability	-	-	10,769	-	-	10,769
Total current liabilities payable from restricted assets	<u>-</u>	<u>43,206</u>	<u>10,769</u>	<u>-</u>	<u>-</u>	<u>53,975</u>
Noncurrent liabilities:						
Compensated absences	91,585	171,333	254,376	17,721	11,246	546,261
Noncurrent lease liability	-	-	11,006	-	-	11,006
Noncurrent liabilities - due in more than one year	-	2,310,305	-	-	-	2,310,305
Total noncurrent liabilities	<u>91,585</u>	<u>2,481,638</u>	<u>265,382</u>	<u>17,721</u>	<u>11,246</u>	<u>2,867,572</u>
Total liabilities	<u>191,630</u>	<u>2,550,716</u>	<u>1,450,345</u>	<u>18,061</u>	<u>14,189</u>	<u>4,224,941</u>
Deferred Inflow of Resources:						
Deferred inflow of resources-pension	115,507	192,512	423,527	25,668	12,962	770,176
Deferred inflow of resources-leases	-	244,033	-	-	-	244,033
Total liabilities and deferred inflow of resources	<u>307,137</u>	<u>2,987,261</u>	<u>1,873,872</u>	<u>43,729</u>	<u>27,151</u>	<u>5,239,150</u>
NET POSITION						
Invested in capital assets, net of related debt	6,054,206	4,392,850	10,642,255	2,851,779	776,861	24,717,951
Restricted for:						
Debt Service	-	389,820	-	-	-	389,820
Unrestricted	3,240,842	3,839,066	5,338,435	785,189	630,547	13,834,079
Total net position	<u>\$ 9,295,048</u>	<u>\$ 8,621,736</u>	<u>\$ 15,980,690</u>	<u>\$ 3,636,968</u>	<u>\$ 1,407,408</u>	<u>\$ 38,941,850</u>

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

HYRUM CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
Operating revenues:						
Charges for sales and services	\$ 1,423,403	\$ 1,976,259	\$ 9,737,015	\$ 415,131	\$ 336,887	\$ 13,888,695
Total operating revenues	<u>1,423,403</u>	<u>1,976,259</u>	<u>9,737,015</u>	<u>415,131</u>	<u>336,887</u>	<u>13,888,695</u>
Operating expenses:						
Personnel related expenses	286,160	492,763	1,032,740	57,821	21,491	1,890,975
System operating expenses, including power costs	233,740	254,101	7,001,273	128,311	58,893	7,676,318
Repairs and maintenance	325,213	237,930	689,684	24,529	1,661	1,279,017
Depreciation	383,547	352,686	608,772	125,306	51,526	1,521,837
Total operating expenses	<u>1,228,660</u>	<u>1,337,480</u>	<u>9,332,469</u>	<u>335,967</u>	<u>133,571</u>	<u>12,368,147</u>
Operating income	<u>194,743</u>	<u>638,779</u>	<u>404,546</u>	<u>79,164</u>	<u>203,316</u>	<u>1,520,548</u>
Nonoperating revenues (expenses):						
Impact fees	464,629	399,904	238,640	82,576	-	1,185,749
Lease Revenue	-	12,843	-	-	-	12,843
Capital grants and contributions	-	480,342	-	-	-	480,342
Investment earnings	14,235	19,591	12,112	3,173	2,558	51,669
Interest and fiscal charges	-	(46,812)	(714)	-	-	(47,526)
Bond issuance costs	-	-	-	-	-	-
Gain (Loss) on sale of fixed assets	-	-	250	-	-	250
Total nonoperating revenue (expenses)	<u>478,864</u>	<u>865,868</u>	<u>250,288</u>	<u>85,749</u>	<u>2,558</u>	<u>1,683,327</u>
Income before contributions and transfers	<u>673,607</u>	<u>1,504,647</u>	<u>654,834</u>	<u>164,913</u>	<u>205,874</u>	<u>3,203,875</u>
Transfers in	-	510,032	1,500,000	-	-	2,010,032
Transfers out	-	-	-	-	-	-
Change in net position	<u>673,607</u>	<u>2,014,679</u>	<u>2,154,834</u>	<u>164,913</u>	<u>205,874</u>	<u>5,213,907</u>
Total net position - beginning	<u>8,621,441</u>	<u>6,607,057</u>	<u>13,825,856</u>	<u>3,472,055</u>	<u>1,201,534</u>	<u>33,727,943</u>
Total net position - ending	<u>\$ 9,295,048</u>	<u>\$ 8,621,736</u>	<u>\$ 15,980,690</u>	<u>\$ 3,636,968</u>	<u>\$ 1,407,408</u>	<u>\$ 38,941,850</u>

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

HYRUM CITY CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,416,386	\$ 1,952,067	\$ 9,510,141	\$ 416,490	\$ 333,383	\$ 13,628,467
Payments to suppliers	(474,382)	(775,428)	(8,653,153)	(154,239)	(60,496)	(10,117,698)
Payments to employees	(284,784)	(472,880)	(1,008,228)	(53,483)	(23,718)	(1,843,093)
Net cash provided by operating activities	<u>657,220</u>	<u>703,759</u>	<u>(151,240)</u>	<u>208,768</u>	<u>249,169</u>	<u>1,667,676</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer in to other funds	-	510,032	1,500,000	-	-	2,010,032
Net cash (used) by noncapital financing activities	<u>-</u>	<u>510,032</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>2,010,032</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(498,463)	(415,606)	(1,488,930)	(50,795)	(50,000)	(2,503,794)
Right of use Asset	-	-	(21,775)	-	-	(21,775)
Lease Receivable	-	(267,009)	-	-	-	(267,009)
Receipts from sale of assets	-	-	-	-	-	-
Receipts from Grants	-	480,342	-	-	-	480,342
Receipts from Lease	-	12,843	-	-	-	12,843
Receipts from impact fees	464,629	399,904	238,640	82,576	-	1,185,749
Receipts from issuance of debt	-	-	-	-	-	-
Equipment lease accrual	-	-	21,775	-	-	21,775
Payments for deferred outflows/inflows and unfunded pension liability	(52,050)	(68,393)	(155,740)	(9,412)	(3,977)	(289,572)
Payments for deferred outflows/inflows and Lease Liability	-	244,033	-	-	-	244,033
Prior period adjustment for lease accounting	-	21,345	-	-	-	21,345
Payment on bonds payable and note payable	-	(746,009)	-	-	-	(746,009)
Payment on Lease Liability	-	-	(10,536)	-	-	(10,536)
Interest and fiscal charges paid on bonds and note	-	(50,634)	(714)	-	-	(51,348)
Net cash provided (used) from capital and related financing activities	<u>(85,884)</u>	<u>(389,184)</u>	<u>(1,417,280)</u>	<u>22,369</u>	<u>(53,977)</u>	<u>(1,923,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	-
Interest received	14,235	19,591	12,112	3,173	2,558	51,669
Net cash provided (used) from investing activities	<u>14,235</u>	<u>19,591</u>	<u>12,112</u>	<u>3,173</u>	<u>2,558</u>	<u>51,669</u>
Net increase (decrease) in cash and cash equivalents	585,571	844,198	(56,408)	234,310	197,750	1,805,421
Cash and cash equivalents beginning of year	2,491,560	2,559,759	3,407,554	521,593	417,482	9,397,948
Cash and cash equivalents end of year	<u>\$ 3,077,131</u>	<u>\$ 3,403,957</u>	<u>\$ 3,351,146</u>	<u>\$ 755,903</u>	<u>\$ 615,232</u>	<u>\$ 11,203,369</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	\$ 194,743	\$ 638,779	\$ 404,546	\$ 79,164	\$ 203,316	\$ 1,520,548
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	383,547	352,686	608,772	125,306	51,526	1,521,837
Change in assets and liabilities:						
Accounts receivable	(7,017)	(24,192)	(227,124)	1,359	(3,501)	(260,475)
Inventory	(8,796)	-	(772,484)	878	-	(780,402)
Accounts payable	93,367	(283,397)	(228,595)	(2,277)	58	(420,844)
Deposits and retainage payable	-	-	38,883	-	-	38,883
Compensated absences	1,376	19,883	24,512	4,338	(2,230)	47,879
Gain(Loss) on sale of fixed assets	-	-	250	-	-	250
Net cash provided by (used in) operating activities	<u>\$ 657,220</u>	<u>\$ 703,759</u>	<u>\$ (151,240)</u>	<u>\$ 208,768</u>	<u>\$ 249,169</u>	<u>\$ 1,667,676</u>

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

HYRUM CITY CORPORATION
STATEMENT OF FIDUCIARY NET POSITION
JUSTICE COURT AGENCY (CUSTODIAL) FUND
JUNE 30, 2022

ASSETS	
Cash and cash equivalents	\$ 38,157
Fines receivable	58,716
Total assets	<u>96,873</u>
LIABILITIES	
Due to other governments	<u>96,873</u>
Total liabilities	<u>96,873</u>
NET POSITION	
Unrestricted	<u>-</u>
Total net position	<u>\$ -</u>

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

HYRUM CITY CORPORATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUSTICE COURT AGENCY (CUSTODIAL) FUND
FOR THE YEAR ENDED JUNE 30, 2022

ADDITIONS

Fines collected for other governments	\$ 238,149
Total assets	<u>238,149</u>

DEDUCTIONS

Fines distributed to other governments	238,149
Total liabilities	<u>238,149</u>

NET POSITION

Unrestricted	-
Total net position	<u>\$ -</u>

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

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, electric, irrigation, storm drain, sanitation, culture, parks, recreation, public improvements, planning and zoning and general administrative services.

The financial statements of Hyrum City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of these criteria, the financial statements include all funds which collectively are referred to as the financial reporting entity of the City. As required by generally accepted accounting principles (GAAP), these financial statements present Hyrum City Corporation (referred to as the "primary government" for reporting purposes). Hyrum City Corporation has no material component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the distinct function activity.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

Program revenues include 1) charges for services that report fees, rent and other charges to users of the City's services; 2) operating grants and contributions that finance annual operating activities; and 3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. Administrative overhead charges are included in direct expenses.

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

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. 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 expensed in the government-wide financial statements. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days of year end, and therefore do not meet the “available” criterion, are not reported as revenue but are included in taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, energy taxes and franchise taxes, are considered “measurable” and recognized as revenue when received by the State of Utah and remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services, intergovernmental revenues and impact fees.

Capital Project Fund—The Capital Project Fund is used to account for financial resources to be used for the expenditures for capital items to be used by the governmental funds of the City.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City has no nonmajor governmental funds.

Proprietary Fund Financial Statements. Proprietary Funds include enterprise funds. Enterprise Funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reported the following major proprietary funds:

Water Fund—The Water Fund is used to account for activity related to providing culinary water services.

Sewer Fund—The Sewer Fund is used to account for activity related to providing sewer services.

Electric Fund—The Electric Fund is used to account for activity related to providing electric services.

Irrigation Fund—The Irrigation Fund is used to account for activity related to providing pressurized irrigation services.

The City's nonmajor proprietary fund is the Storm Water Fund. This nonmajor fund is used to account for activity related to providing storm water services.

Fiduciary Fund Financial Statements. The City has only one type of fiduciary fund. The Justice Court Agency Fund is used to account for assets held by the City justice court as an agent or custodian for other governments or individuals. Agency Funds are accounted for using the accrual basis of accounting, but due to their custodial nature (assets equal liabilities), do not present results of operations or have a measurement focus.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year-end. Budgets are presented on the modified accrual basis of accounting for governmental funds.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 30, the budget is legally enacted through passage of an ordinance. Once adopted, the budget can be amended by subsequent City Council action. Reductions in appropriations can be approved by the City Council, but increased appropriations in the governmental funds require a public hearing prior to amending the budget. Budgets may be increased provided that notice of such action is published seven days before the meeting. The budgetary information presented includes the original budget and final amended budget.
4. The Mayor is authorized to transfer budgeted amounts within departments within the General Fund; however, any transfer of budgeted amounts between departments within the General Fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the General Fund.
5. As determined by State law, the level for which expenditures may not legally exceed appropriations is determined at the total budget level for all funds except the General Fund, which is determined at the reporting function level.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

6. Negative variances in total revenues and positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on fund balance. Budgets generally assume expenditure of all available resources. Therefore, when the budget is prepared, it is assumed that these funds will not have a carryover or revenue to a subsequent year. Some program revenues received, but not spent, are restricted and deferred to the subsequent fiscal year.
7. Budgeted amounts are as originally adopted and as amended by the City Council prior to June 30. Minor interim adjustments in estimated revenue and appropriated expenditures/expenses during the year have been included in the final budget approved by the City Council, as presented in the financial statements.

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer and City Administrator in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments are recorded at fair value based upon quoted market prices as of year-end, except where there is no material difference between cost and fair value. The difference between the purchase price and market price, when material, is recorded as investment income.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

G. Capital Assets

Capital Assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) and construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Position under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by types of asset but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental activities is expensed. Interest on assets being readied for service in proprietary funds may be capitalized. No interest was capitalized during the year.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses for business-type activities and governmental-type activities in the government-wide Statement of Activities.

Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Position. Depreciation is provided over the estimated useful lives using the straight-line method.

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-40 years

H. Right to Use Assets

The City has recorded right to use assets as a result of implementing GASB 87, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

I. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 100% of these benefits to eligible employees upon termination or retirement. An estimate of the liability related to these benefits is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the fund financial statements, governmental funds 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Long-term Liabilities(continued)

are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Position/Fund Balances

The difference between assets and liabilities is “Net Position” on the government-wide and proprietary fund financial statements and “Fund Balance” on the governmental fund financial statements.

Net position is divided into invested in capital assets (net of related debt), restricted and unrestricted. Net position is reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as restricted, committed, assigned or unassigned. Restrictions represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Committed or assigned fund balances represent tentative plans for future use of financial resources.

Non-spendable—This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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

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

Assigned—This classification includes amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or the City Administrator. No other body

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position/Fund Balances (continued)

or official has the authority to constrain such amounts. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed.

L. Property Taxes

The property tax revenue of the City is collected and distributed by the Cache County Treasurer as an agent for the City. Utah statutes establish the process by which taxes are levied and collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenue received by the City includes uncollected taxes (including delinquencies and accrued interest and penalties). It is expected that delinquent property taxes will be collected within a five year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. These property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. The property taxes levied for 2022, and due November 30, 2022, have been included in the taxes receivable and unearned revenue deferred inflow of resources account in the government-wide financial statements. This accrual includes a current receivable of \$722,855, of which \$719,604 is unearned and deferred to the future period. The remaining \$3,251 is for delinquent property taxes for taxes assessed for calendar year 2021 and prior that remains uncollected.

An annual uniform fee based on the age of motor vehicles is levied in lieu of ad valorem tax (property tax) on motor vehicles that is due each time a vehicle is registered. Revenues collected in each county from motor vehicle fees are distributed by the county to each taxing entity in which the motor vehicle is located, in the same proportion in which revenue from ad valorem property tax is distributed. The City recognizes motor vehicle fees as property tax revenue when collected by the county.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Estimates

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

N. Inventories and Prepaid Items

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. Inventories are accounted for under the consumption method.

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

O. 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 recorded at fair value.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had pension items reported as a deferred outflow of resources. See Note 4.

In addition to liabilities, financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes for the future year are reported as a deferred inflow of resources

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Deferred Outflows/Inflows of Resources (continued)

since they are recognized as receivables before the period for which the taxes are levied. These amounts are also presented on the government-wide statement of net position. The City also had pension items reported as deferred inflows of resources. See Note 4. The City also had lease amounts reported as deferred inflows of resources. This is the portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

NOTE 2. RECEIVABLES

Receivables at June 30, 2022, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund receivables	\$ 748,171	\$ 103,301	\$ 281,840	\$ 1,133,312
General Fund bad debt reserve	-	-	(874)	(874)
Total receivables	<u>\$ 748,171</u>	<u>\$ 103,301</u>	<u>\$ 280,966</u>	<u>\$ 1,132,438</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 166,079	\$ 166,079
Sewer Fund	-	-	240,434	240,434
Electric Fund	-	-	1,241,065	1,241,065
Irrigation Fund	-	-	43,849	43,849
Storm Water Fund	-	-	28,828	28,828
Less: bad debt reserve	-	-	(10,234)	(10,234)
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710,021</u>	<u>\$ 1,710,021</u>

Credit sales are made to the City’s customers in the ordinary course of business. Generally, these sales are unsecured. Credit sales are recorded at billed amounts. Unbilled amounts are calculated for the days that fall with the fiscal year but for which billing is not done until the next billing cycle which may fall in a new fiscal year.

A bad debt reserve is maintained. Charges are estimated based on historical analysis of write-offs and collections as a percentage of sales and accounts receivable balances.

The bad debt reserve for the business-type activities is as follows: Water Fund \$2,458, Sewer Fund \$859, Electric Fund \$6,470, Irrigation Fund \$380 and the Storm Drain Fund is \$67. Also, offset against the Electric Fund receivables is \$8,227 in deferred collection costs.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 LEASE RECEIVABLE

On January 1, 2014, the city entered into four leases with various entities. The first lease was for the use of 11.94 acres that the City owns. Under the lease the entity pays the City \$1,504.44 per year. The lease receivable is measured as the present value of the future minimum rent payment expected during the lease term at a discount rate of 2.21% which is the federal funds rate as of June 30, 2022.

The second lease was for the use of 50.71 acres that the City owns. Under the lease the entity pays the City \$7,037.50 per year. The lease receivable is measured as the present value of the future minimum rent payment expected during the lease term at a discount rate of 2.21% which is the federal funds rate as of June 30, 2022.

The third lease was for the use of 50 acres that the City owns. Under the lease the entity pays the City \$6,300.00 per year. The lease receivable is measured as the present value of the future minimum rent payment expected during the lease term at a discount rate of 2.21% which is the federal funds rate as of June 30, 2022.

The fourth lease was for the use of 20 acres that the City owns. Under the lease the entity pays the City \$2,520.00 per year. The lease receivable is measured as the present value of the future minimum rent payment expected during the lease term at a discount rate of 2.21% which is the federal funds rate as of June 30, 2022.

In fiscal year 22, the city recognized of \$12,843.80 total lease revenue and \$6,148.72 of interest revenue.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 912,194	\$ -	\$ -	\$ 912,194
Construction in progress	4,152,437	1,796,245	(111,135)	5,837,547
Total capital assets not being depreciated	<u>5,064,631</u>	<u>1,796,245</u>	<u>(111,135)</u>	<u>6,749,741</u>
Capital assets being depreciated:				
Buildings	7,821,151	-	-	7,821,151
Improvements	3,728,150	179,575	-	3,907,725
Machinery and equipment	3,772,141	460,181	(172,620)	4,059,702
Infrastructure	11,446,304	356,620	-	11,802,924
Total capital assets being depreciated	<u>26,767,746</u>	<u>996,376</u>	<u>(172,620)</u>	<u>27,591,502</u>
Less accumulated depreciation				
Buildings	(5,233,188)	(303,931)	-	(5,537,119)
Improvements	(1,907,615)	(139,353)	-	(2,046,968)
Machinery and equipment	(2,611,535)	(188,735)	66,470	(2,733,800)
Infrastructure	(7,414,139)	(437,554)	-	(7,851,693)
Total accumulated depreciation	<u>(17,166,477)</u>	<u>(1,069,573)</u>	<u>66,470</u>	<u>(18,169,580)</u>
Total capital assets being depreciated, net	<u>9,601,269</u>	<u>(73,197)</u>	<u>(106,150)</u>	<u>9,421,922</u>
Governmental activity capital assets, net	<u>\$ 14,665,900</u>	<u>\$ 1,723,048</u>	<u>\$ (217,285)</u>	<u>\$ 16,171,663</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 1,561,738	\$ -	\$ -	\$ 1,561,738
Water stock and rights	2,143,608	-	-	2,143,608
Payson Project electric entitlement	101,112	-	-	101,112
Construction in progress	6,451,492	1,338,727	(5,255,923)	2,534,296
Total assets not being depreciated	<u>10,257,950</u>	<u>1,338,727</u>	<u>(5,255,923)</u>	<u>6,340,754</u>
Capital assets being depreciated:				
Buildings	10,514,536	5,403,418	-	15,917,954
Improvements	33,617,344	250,524	-	33,867,868
Machinery and equipment	4,871,233	780,447	(13,500)	5,638,180
Total capital assets being depreciated	<u>49,003,113</u>	<u>6,434,389</u>	<u>(13,500)</u>	<u>55,424,002</u>
Less accumulated depreciation				
Buildings	(7,761,245)	(377,905)	-	(8,139,150)
Improvements	(21,477,977)	(849,639)	-	(22,327,616)
Machinery and equipment	(3,082,304)	(283,756)	-	(3,366,060)
Total accumulated depreciation	<u>(32,321,526)</u>	<u>(1,511,300)</u>	<u>-</u>	<u>(33,832,826)</u>
Total capital assets being depreciated, net	<u>16,681,587</u>	<u>4,923,089</u>	<u>(13,500)</u>	<u>21,591,176</u>
Business-type capital assets, net	<u>\$ 26,939,537</u>	<u>\$ 6,261,816</u>	<u>\$ (5,269,423)</u>	<u>\$ 27,931,930</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Administration	\$ 79,057
Culture, parks and recreation	384,863
Highways and streets	512,850
Shop	961
Cemetery	17,587
Public safety	56,510
Senior citizens	14,592
Community progress	3,153
Total depreciation expense - governmental activities	<u>\$ 1,069,573</u>
Business-type activities:	
Water	\$ 383,547
Sewer	352,685
Electric	598,236
Irrigation	125,306
Storm Water	51,526
Total depreciation expense - business-type activities	<u>\$ 1,511,300</u>

NOTE 5. RIGHT TO USE LEASED ASSETS

The City has a recorded a right to use leased asset. The asset is for the right to use a hydraulic excavator. The related lease liability is discussed in Note 7. The right to use asset is amortized on a straight-line basis over the terms of the related lease.

The lease is dated April 13, 2022, to use a hydraulic excavator for the sewer fund maintenance. The lease calls for a payment of \$11,250 per year for three years. The lease has been capitalized at a 2.21% interest rate.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 5. RIGHT TO USE LEASED ASSETS(continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business activities:				
Right to use assets				
Leased hydraulic excavator	-	32,311	-	32,311
Total right to use assets	<u>-</u>	<u>32,311</u>	<u>-</u>	<u>32,311</u>
Less accumulated amortization				
Leased hydraulic excavator	-	(10,536)	-	(10,536)
Total accumulated amortization	<u>-</u>	<u>(10,536)</u>	<u>-</u>	<u>(10,536)</u>
Right to use assets, net	<u>-</u>	<u>21,775</u>	<u>-</u>	<u>21,775</u>

NOTE 6. RETIREMENT PLANS

General information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). 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 employees retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, public employees retirement system.

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6 RETIREMENT PLANS (Continued)

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

Summary of Benefits by System

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 2.5%

*with actuarial reductions

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

Contributions: As a condition of participation in the Systems, employer 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

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6. RETIREMENT PLANS (continued)

unfunded actuarial accrued liability. Contribution rates as of June 30, 2021, are as follows:

Utah Retirement Systems

	Employee Paid	Paid by Employer for	Employer Contribution Rates	Employer Rate for 401(k) Plans
Contributory System				
111-Local Governmental Division Tier 2	N/A	N/A	16.07%	0.62%
Noncontributory System				
15-Local Governmental Division Tier 1	N/A	N/A	18.47%	NA
Tier 2 DC Only				
211-Local Government Division	N/A	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, 2022, the employer and employee contributions to the Systems were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 278,243	N/A
Tier 2 Public Employees System	65,906	\$ -
Tier 2 DC Only System	7,672	N/A
Total Contributions	<u>\$ 351,821</u>	<u>\$ -</u>

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

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

At June 30, 2022, the City reported a net pension asset of \$940,652 and a net pension liability of \$0.

	Measurement Date: December 31, 2021		Proportionate Share	Dec. 31, 2020	Change
	Net Pension Asset	Net Pension Liability		Proportionate Share	
Noncontributory System	\$ 931,993	\$ -	0.1627337%	0.1599756%	0.0027581%
Tier 2 Public Employees System	8,659	-	0.0204594%	0.0203890%	0.0000704%
Total Net Pension Asset/Liability	<u>\$ 940,652</u>	<u>\$ -</u>			

The net pension asset and liability were measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability was

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6. RETIREMENT PLANS (continued)

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/liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, the City recognized pension expense of \$(81,209).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,823	\$ 1,116
Changes in assumptions	95,545	6,098
Net difference between projected and actual earnings on pension plan investments	-	1,276,200
Changes in proportion and differences between contributions and proportionate share of contributions	46,309	-
Contributions subsequent to the measurement date	172,577	-
Total	\$ 416,254	\$ 1,283,414

\$172,577 was reported as deferred outflows of resources related to pensions and results from contributions made by the City prior to fiscal year end, but subsequent to the measurement date of December 31, 2021.

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2022	(\$178,425)
2023	(\$353,701)
2024	(\$307,090)
2025	(\$210,590)
2026	\$1,740
Thereafter	\$8,330

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:

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6. RETIREMENT PLANS (continued)

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

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

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

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

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

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

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6. RETIREMENT PLANS (continued)

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

Discount rate: The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95 percent to 6.85% from prior measurement date.

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

	(5.85%)	(6.85%)	(7.85%)
Proportionate share of			
Noncontributory System	\$ 501,161	\$ 931,993	\$ 2,127,681
Tier 2 Public Employees System	51,593	8,659	54,921
	\$ 552,754	\$ 940,652	\$ 2,182,602

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

Defined Contribution Saving Plans

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

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 6. RETIREMENT PLANS (continued)

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

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

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, 2022, are as follows:

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$88,893	\$86,512
457 Plan	\$18,754	-
Roth IRA Plan	\$37,700	N/A

NOTE 7. LONG-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2022:

In 2004, the City issued \$4,220,000 in Taxable Sewer Revenue Bonds, Series 2003, to finance the construction of a sewer system treatment plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature February 1, 2024, with annual payments varying from \$204,000-\$237,000, including interest at a rate of 0%. In order for the City to receive the funds from the State of Utah Water Quality Board it was necessary to enter into an agreement requiring a hardship assessment of 1.3% of the annual outstanding balance. This bond was paid off on January 27, 2022.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7. LONG-TERM OBLIGATIONS (continued)

On April 27, 2021, the City received a loan of \$2,402,000 from the United States Department of Agriculture, to finance the construction of a wastewater treatment plant. The interest rate is 1.75%. The loan is to be repaid from sewer sales from the sewer utility fund. The loan matures April 27, 2061. The City makes monthly payments on the 27th of each month. The following table shows the next five years of payments and interest:

Year	Principal	Interest	Total
2023	\$ 42,755	\$ 40,842	\$ 83,597
2024	43,510	40,082	83,592
2025	44,277	39,315	83,592
2026	45,058	38,468	83,526
2027	45,853	37,739	83,592
	<u>\$ 221,454</u>	<u>\$196,446</u>	<u>\$ 417,900</u>

The City has an obligation for compensated absences that arises from the accrual of unused vacation and sick time provided for eligible employees.

Transactions affecting long-term obligations are as follows:

	Loans Payable	Bonds Payable	Unfunded Pension Liability	Compensated Absences	Lease Liabilities	Total
Governmental Type Activities:						
Balance, July 1	-	\$ -	\$ 26,996	\$ 220,472	-	\$ 247,468
Additions	-	-	-	75,844	-	\$ 75,844
Retirements	-	-	(26,996)	(63,218)	-	\$ (90,214)
Balance, June 30	-	\$ -	-	233,098	-	\$ 233,098
Due within 1 year	\$ -	\$ -	-	-	-	-
Business-type activities:						
Balance, July 1	\$ 2,395,069	\$ 704,000	\$ 57,995	\$ 498,423	-	\$ 3,655,487
Additions	-	-	-	128,078	32,311	\$ 160,389
Retirements	(42,010)	(704,000)	(57,995)	(80,238)	(10,536)	\$ (894,779)
Balance, June 30	\$ 2,353,059	\$ -	-	\$ 546,263	\$ 21,775	\$ 2,921,097
Due within 1 year	\$ 42,755	\$ -	-	-	\$ 10,769	\$ 53,524

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year Ending	Principal Payments	Interest Payments	Total
June 30			
2023	\$10,769	\$ 481	\$11,250
2024	11,006	244	11,250
	<u>\$21,775</u>	<u>\$ 725</u>	<u>\$22,500</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2022.

NOTE 9. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There were no fund balance/net position deficits at June 30, 2022.

NOTE 10. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City. Each fund type's portion of this pool is disclosed on the governmental funds balance sheet and on the proprietary funds statement of net position as cash and cash equivalents and restricted cash and cash equivalents. There are also debt service reserve accounts that are included in the restricted cash and cash equivalents on the statement of net position.

The City complies with the Utah Money Management Act (Utah Code Section 51, Chapter 7) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined in the Act. The Act also authorizes the City to invest in the Utah Public Treasurer's Investment Fund (UPTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market funds and obligations of governmental agencies within the State of Utah. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The City considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits

At June 30, 2022, the carrying amount of the City deposits was \$854,562 and the bank balance was \$1,547,708. Of the bank balance, \$750,000 was covered by federal depository insurance and \$797,708 was uninsured. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10. CASH AND INVESTMENTS (Continued)

Investments

The City does not have a formal investment policy. The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a “qualified depository”. The Act defined a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City’s recurring fair value measurements as of June 30, 2022 are noted in the following schedule.

<u>Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Fair Value Measurement</u>
Zions Bank Trust Dept-UPTIF	less than one year	Not rated	\$ 389,820	Level 2
Bank of Utah-Advantage Public Fund	N/A	Not rated	2,634,192	Level 1
Cache Valley Bank Savings	N/A	Not rated	10,780,576	Level 1
Utah Public Treasurer’s Investment Fund	less than one year	Not rated	<u>1,050,351</u>	Level 2
Total investments			14,854,939	
Deposits-cash in bank			854,562	
Total cash and investments			<u>\$ 15,709,501</u>	
As reported in the financial statements:				
Cash and cash equivalents-primary			\$ 15,281,524	
Restricted cash and cash equivalents			389,820	
Cash and cash equivalents - Fiduciary Funds			38,157	
			<u>\$ 15,709,501</u>	

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10. CASH AND INVESTMENTS (continued)

The City defines the following risk categories:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments do not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper to 270 days or less and fixed-income securities to 365 days or less. The City has no investment policy that would further limit its interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the Act and other related rules. The Act and other related rules limit investments in commercial paper to a first tier rating of investments in fixed-income to a rating of A or higher as rated by Moody's Investor Service or by Standard and Poor's Corporation. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and/or corporate obligations to 5% of the City's total portfolio with a single issuer. The City has no such investments. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for managing this risk is to comply with the Act and related rules. The City places no other limit on the amount of investments to be held by counterparties.

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10. CASH AND INVESTMENTS (continued)

Investments (continued)

The UPTIF is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered and is unrated. Participant accounts with the UPTIF are not insured or otherwise guaranteed by the State of Utah. The degree of risk of the UPTIF depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposit and top rated domestic commercial held by the Utah State Treasurer. The portfolio has a weighted average life of 90 days or less. The fair value of the City’s position in the fund is the same as the value of the fund shares.

NOTE 11. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

Transfer in to:		Transfer out from:	
Capital Projects Fund	\$ 1,000,000	General Fund	\$ 1,000,000
Sewer Fund	\$ 510,032	General Fund	\$ 510,032
Electric Fund	\$ 1,500,000	General Fund	\$ 1,500,000
Total	<u>\$ 3,010,032</u>	Total	<u>\$ 3,010,032</u>

The transfer from the general fund to the capital projects fund was to provide funding for Blacksmith Fork Canyon Park construction projects. The transfer from the general fund to the electric fund was to repay for facilities that were paid for previously by the electric fund. The transfer from the general fund to the sewer fund was to transfer grant funds for sewer upgrades.

NOTE 12. RESTATED NET BEGINNING FUND BALANCE

In fiscal year 2022, the city restated the beginning fund balance for business-type activities by \$21,346 in the sewer fund. This is in accordance with the implementation of GASB 87, *Leases*, in fiscal year 2022.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 23, 2022, the date that the financial statements were available to be issued. There have been no subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet.

UTAH STATE RETIREMENT SYSTEMS
OTHER SUPPLEMENTARY INFORMATION

HYRUM CITY CORPORTATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
MEASUREMENT DATE OF DECEMBER 31, 2021
JUNE 30, 2022

Last 10 Fiscal Years*

	Noncontributory System	Tier 2 Public Employees System
2014 Proportion of the net pension liability (asset)	0.143946%	0.0125485%
2015 Proportion of the net pension liability (asset)	0.143851%	0.0087766%
2016 Proportion of the net pension liability (asset)	0.135941%	0.0147654%
2017 Proportion of the net pension liability (asset)	0.143224%	0.1348340%
2018 Proportion of the net pension liability (asset)	0.138017%	0.1519680%
2019 Proportion of the net pension liability (asset)	0.143198%	0.1638760%
2020 Proportion of the net pension liability (asset)	0.159976%	0.2038900%
2021 Proportion of the net pension liability (asset)	0.162734%	0.0204594%
2014 Proportionate share of the net pension liability (asset)	\$ 625,047	\$ (380)
2015 Proportionate share of the net pension liability (asset)	\$ 813,978	\$ (19)
2016 Proportionate share of the net pension liability (asset)	\$ 872,908	\$ 1,647
2017 Proportionate share of the net pension liability (asset)	\$ 627,507	\$ 1,189
2018 Proportionate share of the net pension liability (asset)	\$ 1,016,321	\$ 6,508
2019 Proportionate share of the net pension liability (asset)	\$ 539,695	\$ 3,686
2020 Proportionate share of the net pension liability (asset)	\$ 82,058	\$ 2,933
2021 Proportionate share of the net pension liability (asset)	\$ (931,993)	\$ (8,659)
2014 Covered employee payroll	\$ 1,214,170	\$ 61,462
2015 Covered employee payroll	\$ 1,239,164	\$ 56,699
2016 Covered employee payroll	\$ 1,177,746	\$ 121,089
2017 Covered employee payroll	\$ 1,254,680	\$ 132,021
2018 Covered employee payroll	\$ 1,207,406	\$ 177,110
2019 Covered employee payroll	\$ 1,279,108	\$ 227,558
2020 Covered employee payroll	\$ 1,441,819	\$ 325,868
2021 Covered employee payroll	\$ 1,482,923	\$ 379,640
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll		
2014	51.50%	-0.60%
2015	65.69%	-0.03%
2016	74.12%	1.36%
2017	50.01%	0.90%
2018	84.17%	3.67%
2019	42.19%	1.62%
2020	5.69%	0.90%
2021	-62.85%	-2.28%
Plan fiduciary net position as a percentage of the total pension liability		
2014	90.2%	103.5%
2015	87.8%	100.2%
2016	87.3%	95.1%
2017	91.90%	97.40%
2018	87.00%	90.80%
2019	93.7%	96.5%
2020	99.2%	98.3%
2021	108.7%	103.8%

*In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI.

HYRUM CITY CORPORATION
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2022

Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2013	\$ 193,090	\$ 193,090	\$ -	\$ 1,166,094	16.56%
	2014	\$ 210,119	\$ 210,119	\$ -	\$ 1,182,336	17.77%
	2015	\$ 221,822	\$ 221,822	\$ -	\$ 1,231,655	18.01%
	2016	\$ 225,022	\$ 225,022	\$ -	\$ 1,223,156	18.40%
	2017	\$ 224,503	\$ 224,503	\$ -	\$ 1,220,326	18.40%
	2018	\$ 226,768	\$ 226,768	\$ -	\$ 1,231,629	18.41%
	2019	\$ 222,043	\$ 222,043	\$ -	\$ 1,202,185	18.47%
	2020	\$ 253,625	\$ 253,625	\$ -	\$ 1,373,173	18.47%
	2021	\$ 272,126	\$ 272,126	\$ -	\$ 1,473,342	18.47%
	2022	\$ 278,243	\$ 278,243	\$ -	\$ 1,506,462	18.47%
Tier 2 Public Employees System*	2013	N/A	N/A	N/A	N/A	N/A
	2014	\$ 14,216	\$ 14,216	\$ -	\$ 101,613	13.99%
	2015	\$ 11,147	\$ 11,147	\$ -	\$ 74,613	14.94%
	2016	\$ 13,645	\$ 13,645	\$ -	\$ 91,515	14.91%
	2017	\$ 23,534	\$ 23,534	\$ -	\$ 157,843	14.91%
	2018	\$ 21,960	\$ 21,960	\$ -	\$ 145,336	15.11%
	2019	\$ 31,026	\$ 31,026	\$ -	\$ 199,653	15.54%
	2020	\$ 46,396	\$ 46,396	\$ -	\$ 296,383	15.65%
	2021	\$ 55,409	\$ 55,409	\$ -	\$ 351,980	15.74%
	2022	\$ 65,906	\$ 65,906	\$ -	\$ 410,117	16.07%
Tier 2 Public Employees DC Only Systems*	2013	N/A	N/A	N/A	N/A	N/A
	2014	\$ 3,783	\$ 3,783	\$ -	\$ 67,791	5.58%
	2015	\$ 4,902	\$ 4,902	\$ -	\$ 72,951	6.72%
	2016	\$ 5,151	\$ 5,151	\$ -	\$ 76,996	6.69%
	2017	\$ 5,650	\$ 5,650	\$ -	\$ 84,448	6.69%
	2018	\$ 6,821	\$ 6,821	\$ -	\$ 101,959	6.69%
	2019	\$ 7,392	\$ 7,392	\$ -	\$ 111,489	6.63%
	2020	\$ 4,189	\$ 4,189	\$ -	\$ 62,619	6.69%
	2021	\$ 6,911	\$ 6,911	\$ -	\$ 103,304	6.69%
	2022	\$ 7,672	\$ 7,672	\$ -	\$ 114,672	6.69%

*Amounts presented were determined as of calendar year January 1-December 31.

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

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

HYRUM CITY CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2022

Changes in Assumptions:

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

SUPPLEMENTARY INFORMATION

HYRUM CITY CORPORATION
 MAJOR CAPITAL PROJECT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,392,500	992,500	-	(992,500)
Investment earnings	7,500	7,500	7,717	217
Contributions	272,072	272,072	-	(272,072)
Total revenues	<u>1,672,072</u>	<u>1,272,072</u>	<u>7,717</u>	<u>(1,264,355)</u>
EXPENDITURES				
Other general government	-	-	-	-
Public safety	200,000	200,000	9,536	190,464
Culture, parks and recreation	1,472,072	2,072,072	1,246,848	825,224
Total expenditures	<u>1,672,072</u>	<u>2,272,072</u>	<u>1,256,384</u>	<u>1,015,688</u>
Excess of revenues over expenditures	<u>-</u>	<u>(1,000,000)</u>	<u>(1,248,667)</u>	<u>(248,667)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,000,000	1,000,000	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(248,667)</u>	<u>(248,667)</u>
Fund balances - beginning	1,734,420	1,309,420	2,131,882	822,462
Fund balances - ending	<u>\$ 1,734,420</u>	<u>\$ 1,309,420</u>	<u>\$ 1,883,215</u>	<u>\$ 573,795</u>

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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

To the Mayor and Members of the City Council
Hyrum City Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hyrum City Corporation as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Hyrum City Corporation's basic financial statements and have issued our report thereon dated November 23, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 22-1 and 22-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 22-3 to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hyrum City Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. Hyrum City Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wiggins & Co., P.C.

Brigham City, Utah
November 23, 2022



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

To the Mayor and Members of the City Council
Hyrum City Corporation

Report on Compliance

We have audited Hyrum City Corporation's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the City for the year ended June 30, 2022.

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

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Restricted Taxes and Related Revenue
- Fraud Risk Assessment
- Government Fees
- Impact Fees
- Utah Retirement Systems
- Public Treasurer's Bond

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, Hyrum City Corporation complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2022.

Other Matter

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

Report on Internal Control Over Compliance

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

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

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

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

Wiggins & Co., P.C.

Brigham City, Utah
November 23, 2022

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022

INTERNAL CONTROLS – MATERIAL WEAKNESSES

22-1 INVENTORY

Condition: Ending inventory was materially misstated. This is a repeat finding.

Criteria:

Ending inventory should be adjusted to accurately represent inventory on hand at year end. Inventory moved to construction in progress should be taken off the inventory count sheet. Best practices suggest having two people count independently of each other. This would include which items should be included in inventory and verifying, not only individual items counted, but also the total ending inventory count.

Cause of Condition:

Items moved to construction in progress were not removed from inventory in the general ledger. Additionally, there were multiple errors in formulas used to calculate total ending inventory.

Potential effect:

Inventory could be overstated or understated depending on the total inventory if formulas used to calculate total inventory are not functioning correctly. Additionally, assets could be recorded twice if inventory is not classified correctly.

Recommendation:

Inventory items placed in construction in progress should be tracked separately from inventory. Those responsible for counting inventory should confirm which items are in inventory and which items have been included in construction in progress. The individuals tasked with counting inventory should verify total ending inventory in addition to individual items. All spreadsheets should be recalculated and footed when updated and when used to adjust the related accounts.

Response:

See accompanying letter.

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022

22-2 TIMELY BANK RECONCILIATIONS

Condition:

The City's bank reconciliations were not completed in a timely manner. Some were completed a few months after the end of the month. This is a repeat finding.

Criteria:

Internal control best practices suggest that bank reconciliations be performed in a timely manner (defined as within 30 days after the previous month end). Bank reconciliations are a key control to detect fraud or misstatements.

Cause of Condition:

Bank reconciliations were not top priority among many other tasks to complete.

Potential effect:

Fraud or accounting errors may go undetected for months. Cash may be misstated in the financial records management rely upon for city governance.

Recommendation:

The importance of timely bank reconciliations should be communicated to all staff responsible for bank reconciliations. Additionally, a deadline of when bank reconciliations are to be completed should be established as part of the monthly accounting procedures. Staff responsibilities should be re-assigned if workload is causing the delay in reconciliations.

Response:

See accompanying letter.

OTHER MATTERS – INTERNAL CONTROL

22-3 JOURNAL ENTRY REVIEW

Condition:

Multiple journal entries are presented for review with backup documentation out of order or missing making it difficult for the reviewer.

Criteria:

Internal control best practices suggest that all journal entries be reviewed by someone other than the preparer. They are reviewing for reasonableness, accuracy and approvals.

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022

OTHER MATTERS – INTERNAL CONTROL (Continued)

22-3 JOURNAL ENTRY REVIEW (Continued)

Cause of Condition:

The preparer of the journal entries is familiar with circumstances required for a cold review.

Potential effect: The review of the journal entries may not be as effective as it should be if appropriate backup documentation is not included (in the order of the entries, for efficiency).

Recommendation:

We recommend that the preparer of the journal entries present an organized packet for review which includes all supporting documentation that can be matched and verified as the review is performed.

Response: See accompanying letter.

22-4 LIBRARY CASH RECEIPTS

Condition:

Receipts are not given for money received in the library. Funds received by the library are not taken to administration in order to be deposited by the three-day rule.

Criteria:

All funds received by City departments should be receipted immediately. State Statute requires all funds to be deposited within three days of receipt.

Cause of Condition:

The library was not set up with a receipting process and there has been little communication regarding the deposit rules.

Potential effect:

Without proper controls, the City could have funds lost, misappropriated, or taken.

Recommendation:

We recommend that a receipting process be established for the library that accounts for all funds received, regardless of the amount. We also recommend that the library bring the funds to the City on a daily basis.

Response: See accompanying letter.

HYRUM CITY CORPORATION
PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2022

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCY

21-1 INVENTORY

Condition: Ending inventory was materially misstated.

Criteria:

Ending inventory should be adjusted to accurately represent inventory on hand at year end. Inventory moved to construction in progress should be taken off the inventory count sheet. Best practices suggest having two people count independently of each other. This would include which items should be included in inventory and verifying not only individual items counted but also the total ending inventory count.

Cause of Condition:

Items moved to construction in progress were not removed from inventory. Additionally, there were multiple errors in formulas used to calculate total ending inventory.

Potential effect:

Inventory could be overstated or understated depending on the total inventory if formulas used to calculate total inventory are not functioning correctly. Additionally, assets could be recorded twice if inventory is not classified correctly.

Recommendation:

Inventory items placed in construction in progress should be tracked separately from inventory. Those responsible for counting inventory should confirm which items are in inventory and which items have been included in construction in progress. The individuals tasked with counting inventory should verify total ending inventory in addition to individual items. All spreadsheets should be recalculated and footed when updated and when used to adjust the related accounts.

Status:

Partially implemented. See current year findings.

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCY

21-2 TIMELY BANK RECONCILIATIONS

Condition: The City's bank reconciliations were not completed in a timely manner. Some were completed a few months after the end of the month.

HYRUM CITY CORPORATION
PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2022

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCY

21-2 TIMELY BANK RECONCILIATIONS (continued)

Criteria:

Internal control best practices suggest that bank reconciliations be performed in a timely manner. A timely manner is defined as within 30 days after the previous month end. Bank reconciliations are a key control to detect fraud or misstatements.

Cause of Condition:

Bank reconciliations were not top priority among many other tasks to complete.

Potential effect:

Fraud or accounting errors may go undetected for months. Cash may be misstated in the financial records management relies upon.

Recommendation:

The importance of timely bank reconciliations should be communicated to all staff responsible for bank reconciliations. Additionally, a deadline of when bank reconciliations are to be completed should be established as part of monthly accounting procedures. Staff responsibilities should be re-assigned if workload is causing the delay in reconciliations.

Response:

Not implemented. See current year findings.

OTHER MATTER -STATE COMPLIANCE

21-3 FRAUD RISK ASSESSMENT

Condition:

The fraud risk assessment was not presented in a city council meeting before the end of the fiscal year end. This is a repeat finding.

Criteria:

The State Legal Compliance requires the city to complete the State Auditor's fraud risk assessment and present it in a city council meeting.

HYRUM CITY CORPORATION
PRIOR YEAR FINDINGS, RECOMMENDATIONS AND STATUS
FOR THE YEAR ENDED JUNE 30, 2022

OTHER MATTER -STATE COMPLIANCE (Continued)

21-3 FRAUD RISK ASSESSMENT(Continued)

Cause of Condition:

The fraud risk assessment was a new requirement for Fiscal Year 2020. The City was not aware of this being an annual requirement.

Potential effect: The City would not be compliant with the requirements of the State Legal Compliance Guide.

Recommendation:

We recommend the assessment be presented in the next available city council meeting. In addition, the fraud risk assessment for FY2022 should be completed as soon as possible to ensure completion before year end.

Status: Implemented.



Mayor, Stephanie Miller
Council Members
Steve Adams
Jared L. Clawson
Paul C. James
Vicky McCombs
Craig Rasmussen
City Administrator
Ron W. Salvesen
Recorder
Stephanie B. Fricke
Treasurer
Todd Perkins

22-1 INVENTORY

Condition:

Ending inventory was materially misstated. This is a repeat finding.

Response:

The City will review the spreadsheet for accuracy and the journal entries as to not over or understate inventory.

22-2 TIMELY BANK RECONCILIATIONS

Condition:

The City's bank reconciliations were not completed in a timely manner. Some were completed a few months after the end of the month. This is a repeat finding.

Response:

Staff responsibilities will be re-assigned and the importance of reconciliation being complete in 30 days will be communicated to all staff.

22-3 JOURNAL ENTRY REVIEW

Condition:

Multiple journal entries are presented for review with backup documentation out of order or missing making it difficult for the reviewer.

Response:

The preparer of the journal entries will present and explain to the verifier all journal entries and supporting documents.

22-4 LIBRARY CASH RECEIPTS

Condition:

Receipts are not given for money received in the library. Funds received by the library are not taken to administration in order to be deposited by the three-day rule.

Response:

All receipts are now taken and put into the Xpress Bill pay system and any cash or checks are brought to the City Treasurer and put in the daily deposit. On weekends cash and checks are brought over on Monday.