

HYRUM CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2020

HYRUM CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Balance Sheet Reconciliation to Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund - Budget and Actual	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Net Position- Justice Court Agency (Custodial) Fund	22
Notes to Financial Statements	23-47
Required Supplementary Information	
Schedule of Required Supplementary Information - Utah Retirement Systems	48-50
Supplementary Information:	
Major Capital Project Fund-Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	51

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hyrum City Corporation, Utah (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2020, 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.

Other Matters

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 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 individual major 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.

The individual major capital project fund statement of revenues, expenditures and changes in fund balance, budget to actual, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 information 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 December 2, 2020, 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
December 2, 2020

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, 2020. 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 \$3,802,413 totaling \$45,677,312. The governmental activities net position increased by \$1,118,237 and the business-type activities net position increased by \$2,684,176.
- The total net position of governmental and business-type activities is \$45,677,312 and is made up of \$32,912,355 in capital assets net of related debt, such as land, infrastructure and equipment, and \$12,764,957 in other net position. The \$12,764,957 in other net position is made up of \$1,734,420, which is restricted for capital projects; \$2,808,083 is restricted for debt service items related to the sewer bonds and a loan; and the remaining \$8,222,454 is unrestricted.
- Total long-term liabilities for the City increased by \$1,763,971. The long-term debt for governmental activities decreased by \$143,309 due to the \$124,097 decrease in the net unfunded pension liability and an decrease of \$19,212 in obligations for compensated absences. The business-type activities long-term debt increased by \$1,907,279, with a decrease in net unfunded pension liability \$355,351 and a \$86,630 increase in obligations for compensated absences. A decrease in bonds payable of \$226,000. An additional interim loan was issued to complete the needed upgrade to the Wastewater Treatment Plant(WWTP) \$2,402,000.

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 12-13 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Hyrum City uses enterprise 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 \$45,677,312, at June 30, 2020.

By far the largest portion of Hyrum City’s net position, \$32,912,355 (72%) 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 summary of net position of the City is as follows:

	2020	2019	Total Change
Governmental activities:			
Current and other assets	\$ 3,737,548	\$ 3,875,120	\$ (137,572)
Capital assets	<u>13,306,140</u>	<u>12,046,633</u>	<u>1,259,507</u>
Total assets	<u>17,043,688</u>	<u>15,921,753</u>	<u>1,121,935</u>
Deferred outflow of resources	<u>709,584</u>	<u>165,871</u>	<u>543,713</u>
Total assets and deferred outflow of resources	<u>17,753,272</u>	<u>16,087,624</u>	<u>1,665,648</u>
Current and other liabilities	973,465	1,024,297	50,832
Long-term liabilities	<u>419,407</u>	<u>562,715</u>	<u>143,308</u>
Total liabilities	<u>1,392,872</u>	<u>1,587,012</u>	<u>194,140</u>
Deferred inflows of resources	<u>704,726</u>	<u>561,523</u>	<u>(143,203)</u>
Total liabilities and deferred inflows of resources	<u>2,097,598</u>	<u>2,148,535</u>	<u>50,937</u>
Net position:			
Investment in capital assets, net of related debt	13,297,243	12,046,633	1,250,610
Restricted	1,734,420	763,699	970,721
Unrestricted	<u>25,663</u>	<u>1,128,757</u>	<u>(1,103,094)</u>
Total net position	<u>\$ 15,057,326</u>	<u>\$ 13,939,089</u>	<u>\$ 1,118,237</u>
Business-type activities:			
Current and other assets	\$ 11,252,264	\$ 10,625,470	\$ 626,794
Capital assets	<u>25,758,195</u>	<u>20,293,659</u>	<u>5,464,536</u>
Total assets	<u>37,010,459</u>	<u>30,919,129</u>	<u>6,091,330</u>
Deferred outflow of resources	<u>177,915</u>	<u>343,407</u>	<u>(165,492)</u>
Total assets and deferred outflow of resources	<u>37,188,374</u>	<u>31,262,536</u>	<u>5,925,838</u>
Current and other liabilities	2,255,685	1,071,280	(1,184,405)
Long-term liabilities	<u>4,128,330</u>	<u>2,221,051</u>	<u>(1,907,279)</u>
Total liabilities	<u>6,384,015</u>	<u>3,292,331</u>	<u>(3,091,684)</u>
Deferred inflows of resources	<u>184,373</u>	<u>34,395</u>	<u>149,978</u>
Total liabilities and deferred inflows of resources	<u>6,568,388</u>	<u>3,326,726</u>	<u>(2,941,706)</u>
Net position:			
Investment in capital assets, net of related debt	19,615,112	18,756,648	858,464
Restricted	2,880,083	378,011	2,502,072
Unrestricted	<u>8,124,791</u>	<u>8,801,151</u>	<u>(676,360)</u>
Total net position	<u>\$ 30,619,986</u>	<u>\$ 27,935,810</u>	<u>\$ 2,684,176</u>

The City's total net position increased by \$3,802,413 as summarized below.

	2020	2019	Total Change
Governmental activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 1,432,016	\$ 1,521,175	\$ (89,159)
Operating grants	529,589	398,483	131,106
Capital grants and contributions	743,019	1,022,381	(279,362)
General revenues:			
Property taxes	610,221	580,452	29,769
Sales & Mass Transit taxes	1,493,093	1,337,406	155,687
Energy taxes	441,300	463,266	(21,966)
Franchise taxes	54,524	54,653	(129)
Unrestricted investment earnings	40,759	45,144	(4,385)
Gain (loss) on sale of capital assets		(11,577)	11,577
Total revenues	<u>5,344,521</u>	<u>5,411,383</u>	<u>(66,862)</u>
Expenses:			
Legislative	31,269	33,032	(1,763)
Judicial	70,951	68,364	2,587
Administration	251,466	224,380	27,086
Other general government	75,472	59,287	16,185
Public safety	544,266	566,923	(22,657)
Highways and streets	866,606	807,226	59,380
Sanitation	733,976	688,919	45,057
Planning, zoning and engineering	61,654	70,793	(9,139)
Culture, parks and recreation	1,035,618	1,022,364	13,254
Shop	23,770	20,899	2,871
Senior citizens	105,005	106,368	(1,363)
Cemetery	68,280	74,393	(6,113)
Community progress	357,951	524,900	(166,949)
Total expenses	<u>4,226,284</u>	<u>4,267,848</u>	<u>(41,564)</u>
Net revenues over expenses	1,118,237	1,143,535	(25,298)
Transfers	-	-	-
Change in net position	<u>\$ 1,118,237</u>	<u>\$ 1,143,535</u>	<u>\$ (25,298)</u>
Business-type activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 11,721,345	\$ 10,613,378	1,107,967
Operating grants	-	-	-
Capital grants and contributions	990,382	865,766	124,616
General revenues:			
Unrestricted investment earnings	237,543	239,313	(1,770)
Gain on sale of capital assets	64,145	-	64,145
Total revenues	<u>13,013,415</u>	<u>11,718,457</u>	<u>1,294,958</u>
Expenses:			
Water	1,051,902	1,059,514	(7,612)
Sewer	1,623,570	1,546,498	77,072
Electrical	7,095,933	6,930,085	165,848
Irrigation	472,586	433,021	39,565
Storm Water	85,248	80,567	4,681
Total expenses	<u>10,329,239</u>	<u>10,049,685</u>	<u>279,554</u>
Net revenues over expenses	2,684,176	1,668,772	1,015,404
Transfers	-	-	-
Change in net position	<u>\$ 2,684,176</u>	<u>\$ 1,668,772</u>	<u>\$ 1,015,404</u>

The decrease in revenues was from a decrease in Capital grants and contributions totaling \$279,362, \$89,159 came from a decrease in Charges for services; \$4,385 from decrease investment earnings; \$21,966 decrease in energy tax and \$129 decrease in franchise Tax. The remaining amount comes from an increase in Operating grants \$131,106; \$29,769 increase in Property tax and \$155,687 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, 2020, the City's governmental funds (General & Capital Projects) reported combined fund balances of \$2,174,631. This represents a decrease of \$123,147 from 2019'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 55% of total general fund revenues. The largest element of taxes is sales tax, representing 49% of total tax revenue and 27% 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 2019-20, the General Fund original budget for revenues was amended from \$4,749,911 to \$4,857,911 mostly due to increases for sales taxes and charges for services. The original budget for expenditures was amended from \$5,469,850 to \$5,023,550 to account for increases in a transfer to Capital Projects for Blacksmith fork Park.

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, 2020, amounts to \$83,280,051. Accumulated depreciation on capital assets was \$(47,032,696). Net capital assets amounted to \$36,247,355 at June 30, 2020. The investment in capital assets includes land, buildings, improvements, infrastructure (roads, sidewalks, curb and gutter, water plant, sewer plant, electric plant & distribution, irrigation plant and storm water improvements.) and machinery and equipment. The total increase in the City’s investment in capital assets during 2020 was \$6,577,979. Depreciation expense for 2020 was \$2,267,387 with \$972,798 recorded in governmental activities and \$1,294,589 recorded in business-type activities.

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

- Road improvements (\$540,092)
- Water line upgrade (\$384,167)
- Electric System upgrades (\$3,809,947)
- Snow Plow truck (\$172,706)
- Bucket truck (\$114,000)

Hyrum City's Capital Assets:

	<u>2020</u>	<u>2019</u>	<u>Total Change</u>
Governmental activities:			
Land	\$ 912,194	\$ 912,194	\$ -
Buildings	7,761,091	7,680,139	80,952
Improvements	2,948,733	2,797,341	151,392
Infrastructure	11,068,366	10,528,276	540,090
Machinery and equipment	3,522,200	3,279,323	242,877
Construction in progress	<u>3,257,322</u>	<u>2,049,225</u>	<u>1,208,097</u>
Total capital assets	29,469,906	27,246,498	2,223,408
Less: accumulated depreciation	<u>(16,172,663)</u>	<u>(15,199,865)</u>	<u>(972,798)</u>
Net capital assets	<u>\$ 13,297,243</u>	<u>\$ 12,046,633</u>	<u>\$ 1,250,610</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	10,514,536	9,689,461	825,075
Improvements	31,614,436	27,420,320	4,194,116
Machinery and equipment	4,339,977	3,901,154	438,823
Construction in progress	<u>3,534,737</u>	<u>4,685,471</u>	<u>(1,150,734)</u>
Total capital assets	53,810,145	49,502,865	4,307,280
Less: accumulated depreciation	<u>(30,860,033)</u>	<u>(29,587,216)</u>	<u>(1,272,817)</u>
Net capital assets	<u>\$ 22,950,112</u>	<u>\$ 19,915,649</u>	<u>\$ 3,034,463</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, 2020, the City had total outstanding debt of \$4,547,739. An interim loan was issued to complete the needed upgrade to the WWTP \$2,402,000.

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

	<u>2020</u>	<u>2019</u>	<u>Total Change</u>
Governmental activities:			
Compensated absences	\$ 210,369	\$ 229,580	\$ (19,211)
Unfunded Pension liability	<u>209,038</u>	<u>333,135</u>	<u>(124,097)</u>
Total Governmental activities	<u>419,407</u>	<u>562,715</u>	<u>(143,308)</u>
Business-type activities:			
Compensated absences	458,990	372,357	86,633
Unfunded Pension liability	334,342	689,694	(355,352)
Interim Loan Payable	2,402,000	-	2,402,000
Sewer Revenue Bonds Payable	<u>933,000</u>	<u>1,159,000</u>	<u>(226,000)</u>
Total Business-type activities	<u>4,128,332</u>	<u>2,221,051</u>	<u>1,907,281</u>
Total Outstanding Long-term Debt	<u>\$ 4,547,739</u>	<u>\$ 2,783,766</u>	<u>\$ 1,763,973</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, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 2,799,121	\$ 9,742,736	\$ 12,541,857
Restricted cash and cash equivalents:			
Receivables:			
Taxes	603,937	-	603,937
Accounts	230,326	1,044,225	1,274,551
Intergovernmental	65,080	-	65,080
Inventory	-	460,053	460,053
Prepaid expenses	39,084	5,250	44,334
Total current assets	3,737,548	11,252,264	14,989,812
Non-current assets			
Restricted cash and cash equivalents:			
Cash held in escrow	-	2,422,103	2,422,103
Revenue bond covenant accounts		385,980	385,980
Receivables:			
Taxes	8,897	-	8,897
Land and easements	912,194	1,561,739	2,473,933
Water stock and rights	-	2,143,608	2,143,608
Buildings	2,832,796	3,130,209	5,963,005
Improvements	1,143,891	11,037,767	12,181,658
Machinery and equipment	1,068,053	1,440,940	2,508,993
Infrastructure	4,082,987	-	4,082,987
Prayson electric entitlement	-	101,112	101,112
Construction in progress	3,257,322	3,534,737	6,792,059
Total non-current assets	13,306,140	25,758,195	36,642,232
Total Assets	17,043,688	37,010,459	51,632,044
Deferred Outflows of Resources:			
Deferred outflow of resources-pension amounts	111,236	177,915	289,151
Deferred outflow of resources-property taxes	598,348	-	598,348
Total deferred outflows of Resources	709,584	177,915	887,499
Total Assets and Deferred Outflow of Resources	17,753,272	37,188,374	54,941,646
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	133,879	1,907,924	2,041,803
Deposits and retainage payable	839,586	339,989	1,179,575
Accrued interest payable	-	7,772	7,772
Total current liabilities	973,465	2,255,685	3,229,150
Long-term liabilities			
Compensated absences	210,369	458,987	669,356
Noncurrent liabilities - due within one year	-	229,000	229,000
Noncurrent liabilities - due in more than one year	209,038	3,440,343	3,649,381
Total long-term liabilities	419,407	4,128,330	4,547,737
Deferred inflows of resources:			
Pension related items	115,275	184,373	299,648
Unearned revenue-property taxes	589,451	-	589,451
Total Deferred Inflows of Resources	704,726	184,373	889,099
Total Liabilities and Deferred Inflows of Resources	2,097,598	6,568,388	8,665,986
NET POSITION			
Investment in capital assets, net of debt	13,297,243	19,615,112	32,912,355
Restricted for:			
Debt service	-	385,980	385,980
Capital projects	1,734,420	-	1,734,420
Wastewater Loan	-	2,422,103	2,422,103
Unrestricted	25,663	8,196,791	8,222,454
Total Net Position	\$ 15,057,326	\$ 30,619,986	\$ 45,677,312

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, 2020

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
Legislative	\$ 31,269	\$ -	\$ -	\$ -	\$ (31,269)	\$ -	\$ (31,269)
Judicial	70,951	106,936	-	-	35,985	-	35,985
Administration	251,466	221,050	-	-	(30,416)	-	(30,416)
Other general government	75,472	79,663	-	-	4,191	-	4,191
Public safety	544,266	122,516	-	-	(421,750)	-	(421,750)
Highways and streets	866,606	-	503,568	307,654	(55,384)	-	(55,384)
Sanitation	733,976	788,323	-	-	54,347	-	54,347
Planning, zoning and engineering	61,654	27,185	-	-	(34,469)	-	(34,469)
Culture, parks and recreation	1,035,618	15,241	26,021	435,365	(558,991)	-	(558,991)
Shop	23,770	-	-	-	(23,770)	-	(23,770)
Senior citizens	105,006	13,823	-	-	(91,183)	-	(91,183)
Cemetery	68,280	53,050	-	-	(15,230)	-	(15,230)
Community progress	357,951	4,229	-	-	(353,722)	-	(353,722)
Total governmental activities	4,226,285	1,432,016	529,589	743,019	(1,521,661)	-	(1,521,661)
Business-type activities:							
Water	1,051,902	1,316,257	-	528,376	-	792,731	792,731
Sewer	1,623,570	1,614,697	-	415,954	-	407,081	407,081
Electric	7,095,933	8,220,057	-	-	-	1,124,124	1,124,124
Irrigation	472,586	326,541	-	46,052	-	(99,993)	(99,993)
Storm Water	85,248	243,793	-	-	-	158,545	158,545
Total business-type activities	10,329,239	11,721,345	-	990,382	-	2,382,488	2,382,488
Total primary government	\$ 14,555,524	\$ 13,153,361	\$ 529,589	\$ 1,733,401	(1,521,661)	2,382,488	860,827
General revenues							
Property taxes					610,221	-	610,221
Sales & mass transit taxes					1,493,094	-	1,493,094
Energy tax					441,300	-	441,300
Franchise tax					54,524	-	54,524
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					40,759	237,543	278,302
Gain (loss) on sale of capital assets					-	64,145	64,145
Transfers					-	-	-
Total general revenues and transfers					2,639,898	301,688	2,941,586
Change in net position					1,118,237	2,684,176	3,802,413
Net position - beginning					13,939,089	27,935,810	41,874,899
Net position - ending					\$ 15,057,326	\$ 30,619,986	\$ 45,677,312

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

HYRUM CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,064,701	1,734,420	\$ 2,799,121
Receivables:			
Taxes	603,936	-	603,936
Accounts	230,326	-	230,326
Intergovernmental	65,080	-	65,080
Prepaid expenses	39,084	-	39,084
Restricted cash and cash equivalents	-	-	-
Total assets	\$ 2,003,127	\$ 1,734,420	\$ 3,737,547
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 133,879	\$ -	\$ 133,879
Unearned revenue	-	-	-
Contracts and deposits payable	839,586	-	839,586
Total liabilities	973,465	-	973,465
 Deferred inflow of resources-Unearned property taxes	589,451	-	589,451
Total liabilities and deferred inflow of resources	1,562,916	-	1,562,916
 Fund balances			
Committed:			
Fire station	-	-	-
Assigned:			
Museum	12,880	-	12,880
Elite Hall	3,404	-	3,404
First responders	5,601	-	5,601
Fire department	311,365	-	311,365
Library projects	2,338	-	2,338
Senior Center	31,525	-	31,525
Parks and Trails	-	1,734,420	1,734,420
Unassigned	73,098	-	73,098
Total fund balances	440,211	1,734,420	2,174,631
Total liabilities and fund balances	\$ 2,003,127	\$ 1,734,420	\$ 3,737,547

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, 2020

Total fund balances-governmental funds \$ 2,174,631

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	7,761,090	
Improvements	2,948,734	
Machinery and equipment	3,522,201	
Infrastructure	11,068,367	
Construction in progress	3,257,320	
Accumulated depreciation	<u>(16,172,663)</u>	
Total capital assets		13,297,243

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 8,897

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	\$ 111,237	
Unfunded pension liability	(209,038)	
Deferred inflows of resources-pension items	(115,275)	
Compensated absences	<u>(210,369)</u>	
Total liabilities		<u>(423,445)</u>

Total net position-governmental activities \$ 15,057,326

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, 2020

	<u>General</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 609,457	\$ -	\$ 609,457
Sales	1,285,754	-	1,285,754
Energy	441,300	-	441,300
Franchise	54,524	-	54,524
Mass transit	207,340	-	207,340
Licenses and permits	139,726	-	139,726
Intergovernmental	622,704	-	622,704
Charges for services	1,171,531	-	1,171,531
Fines	106,936	-	106,936
Miscellaneous	13,823	-	13,823
Contributions	26,854	-	26,854
Investment earnings	35,770	4,989	40,759
Total revenues	<u>4,715,719</u>	<u>4,989</u>	<u>4,720,708</u>
EXPENDITURES			
Current:			
Legislative	31,269	-	31,269
Judicial	70,348	-	70,348
Administration	186,414	-	186,414
Other general government	194,507	-	194,507
Public safety	492,809	534,429	1,027,238
Highways and streets	1,161,478	-	1,161,478
Sanitation	733,976	-	733,976
Planning, zoning and engineering	61,297	-	61,297
Culture, parks and recreation	941,756	499,839	1,441,595
Shop	23,231	-	23,231
Senior citizens	112,697	-	112,697
Cemetery	68,057	-	68,057
Community progress	354,798	-	354,798
Total expenditures	<u>4,432,637</u>	<u>1,034,268</u>	<u>5,466,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>283,082</u>	<u>(1,029,279)</u>	<u>(746,197)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,000,000	2,000,000
Transfers out	(2,000,000)	-	(2,000,000)
Impact fees	623,050	-	623,050
Proceeds from sale of assets	-	-	-
Total other financing sources and uses	<u>(1,376,950)</u>	<u>2,000,000</u>	<u>623,050</u>
Net change in fund balances	<u>(1,093,868)</u>	<u>970,721</u>	<u>(123,147)</u>
Fund balances - beginning	<u>1,534,079</u>	<u>763,699</u>	<u>2,297,778</u>
Fund balances - ending	<u>\$ 440,211</u>	<u>\$ 1,734,420</u>	<u>\$ 2,174,631</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, 2020

Net change in fund balances - total governmental funds \$ (123,147)

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 \$2,223,408 exceed depreciation (\$972,798) during the period. 1,250,610

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. -

Property tax revenues in the statement of activities that do not provide current financial resources are not recorded in the fund statements 764

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.

Unfunded pension liability	\$ 124,096	
Compensated absences	19,212	
Deferred outflow of resources-pension related items	(54,635)	
Deferred inflow of resources-pension related items	(98,663)	
		(9,990)

Change in net position of governmental activities \$ 1,118,237

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property and fee in lieu	\$ 609,911	\$ 609,911	\$ 609,457	\$ (454)
Sales	1,160,000	1,272,000	1,285,754	13,754
Energy	520,000	520,000	441,300	(78,700)
Franchise	55,000	55,000	54,524	(476)
Mass transit	185,000	185,000	207,340	22,340
Licenses and permits	61,000	93,000	139,726	46,726
Intergovernmental	815,600	815,600	622,704	(192,896)
Charges for services	1,044,100	1,105,600	1,171,531	65,931
Fines	107,300	87,800	106,936	19,136
Miscellaneous	100,000	10,000	13,823	3,823
Contributions	62,000	69,000	26,854	(42,146)
Investment earnings	30,000	35,000	35,770	770
Total revenues	<u>4,749,911</u>	<u>4,857,911</u>	<u>4,715,719</u>	<u>(142,192)</u>
EXPENDITURES				
Current:				
General government:				
Legislative	37,200	37,200	31,269	5,931
Judicial	85,210	85,210	70,348	14,862
Administration	160,600	186,600	186,414	186
Other general government	476,500	181,500	194,507	(13,007)
Public safety	503,430	516,130	492,809	23,321
Highways and streets	1,309,700	1,309,700	1,161,478	148,222
Sanitation	716,000	726,000	733,976	(7,976)
Planning, zoning and engineering	108,900	108,900	61,297	47,603
Culture, parks and recreation	1,515,710	1,315,710	941,756	373,954
Shop	40,300	40,300	23,231	17,069
Senior citizens	131,200	131,200	112,697	18,503
Cemetery	103,750	103,750	68,057	35,693
Community progress	281,350	281,350	354,798	(73,448)
Total expenditures	<u>5,469,850</u>	<u>5,023,550</u>	<u>4,432,637</u>	<u>590,913</u>
Excess of revenues over expenditures	<u>(719,939)</u>	<u>(165,639)</u>	<u>283,082</u>	<u>448,721</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(2,000,000)	(2,000,000)	-
Proceeds from sale of fixed assets	-	-	-	-
Impact fees	255,260	698,260	623,050	(75,210)
Total other financing sources and uses	<u>255,260</u>	<u>(1,301,740)</u>	<u>(1,376,950)</u>	<u>(75,210)</u>
Net change in fund balances	(464,679)	(1,467,379)	(1,093,868)	373,511
Fund balances - beginning	1,534,080	1,783,877	1,534,079	(249,798)
Fund balances - ending	<u>\$ 1,069,401</u>	<u>\$ 316,498</u>	<u>\$ 440,211</u>	<u>\$ 123,713</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, 2020

	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						
Cash and cash equivalents	\$ 2,369,633	\$ 1,358,109	\$ 5,102,489	\$ 565,926	\$ 346,579	\$ 9,742,736
Restricted cash and cash equivalents:						
Receivables:						
Accounts	134,242	194,950	649,811	44,664	20,558	1,044,225
Inventory	27,606	-	431,796	651	-	460,053
Prepaid expenses	2,250	3,000	-	-	-	5,250
Total current assets	<u>2,533,731</u>	<u>1,556,059</u>	<u>6,184,096</u>	<u>611,241</u>	<u>367,137</u>	<u>11,252,264</u>
Noncurrent assets:						
Restricted cash and cash equivalents:						
Cash held in escrow	-	2,422,103	-	-	-	2,422,103
Revenue bond accounts	-	385,980	-	-	-	385,980
Capital assets (net of accumulated depreciation):						
Land and easements	23,411	587,938	823,440	86,384	40,566	1,561,739
Water stock and rights	984,731	-	-	1,158,877	-	2,143,608
Buildings	228,393	1,863,158	1,038,658	-	-	3,130,209
Improvements other than buildings	4,020,497	131,355	5,099,481	1,151,671	634,763	11,037,767
Machinery & equipment	304,112	149,793	973,342	13,693	-	1,440,940
Payson Electric Entitlement	-	-	101,112	-	-	101,112
Construction in progress	125,550	2,479,560	190,179	674,230	65,218	3,534,737
Total noncurrent assets	<u>5,686,694</u>	<u>8,019,887</u>	<u>8,226,212</u>	<u>3,084,855</u>	<u>740,547</u>	<u>25,758,195</u>
Total assets	<u>8,220,425</u>	<u>9,575,946</u>	<u>14,410,308</u>	<u>3,696,096</u>	<u>1,107,684</u>	<u>37,010,459</u>
Deferred Outflow of Resources:						
Deferred outflow of resources-pension amounts	38,370	41,898	89,203	6,969	1,475	177,915
Total assets and deferred outflow of resources	<u>8,258,795</u>	<u>9,617,844</u>	<u>14,499,511</u>	<u>3,703,065</u>	<u>1,109,159</u>	<u>37,188,374</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES						
Current liabilities:						
Accounts payable	155,850	1,060,837	534,660	104,229	52,348	1,907,924
Deposits and retainage payable	-	-	339,989	-	-	339,989
Total current liabilities	<u>155,850</u>	<u>1,060,837</u>	<u>874,649</u>	<u>104,229</u>	<u>52,348</u>	<u>2,247,913</u>
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	229,000	-	-	-	229,000
Accrued interest payable	-	7,772	-	-	-	7,772
Total current liabilities payable from restricted assets	<u>-</u>	<u>236,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,772</u>
Noncurrent liabilities:						
Compensated absences	109,391	128,658	187,762	20,869	12,307	458,987
Noncurrent liabilities - due in more than one year	72,107	3,184,736	167,633	13,095	2,772	3,440,343
Total noncurrent liabilities	<u>181,498</u>	<u>3,313,394</u>	<u>355,395</u>	<u>33,964</u>	<u>15,079</u>	<u>3,899,330</u>
Total liabilities	<u>337,348</u>	<u>4,611,003</u>	<u>1,230,044</u>	<u>138,193</u>	<u>67,427</u>	<u>6,384,015</u>
Deferred Inflow of Resources:						
Deferred inflow of resources-pension	39,763	43,419	92,441	7,222	1,528	184,373
Total liabilities and deferred inflow of resources	<u>377,111</u>	<u>4,654,422</u>	<u>1,322,485</u>	<u>145,415</u>	<u>68,955</u>	<u>6,568,388</u>
NET POSITION						
Invested in capital assets, net of related debt	5,686,694	1,876,804	8,226,212	3,084,855	740,547	19,615,112
Restricted for:						
Debt Service	-	385,980	-	-	-	385,980
Wastewater loan	-	2,422,103	-	-	-	2,422,103
Unrestricted	2,194,990	278,535	4,950,814	472,795	299,657	8,196,791
Total net position	<u>\$ 7,881,684</u>	<u>\$ 4,963,422</u>	<u>\$ 13,177,026</u>	<u>\$ 3,557,650</u>	<u>\$ 1,040,204</u>	<u>\$ 30,619,986</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, 2020

	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	\$ 1,316,257	\$ 1,597,335	\$ 8,220,057	\$ 326,541	\$ 243,793	\$ 11,703,983
Total operating revenues	<u>1,316,257</u>	<u>1,597,335</u>	<u>8,220,057</u>	<u>326,541</u>	<u>243,793</u>	<u>11,703,983</u>
Operating expenses:						
Personnel related expenses	396,502	449,813	955,079	75,086	14,614	1,891,094
System operating expenses, including power costs	116,984	512,070	4,994,726	132,916	26,268	5,782,964
Repairs and maintenance	203,826	263,376	791,944	49,229	1,591	1,309,966
Depreciation	334,590	347,684	354,184	215,355	42,775	1,294,588
Total operating expenses	<u>1,051,902</u>	<u>1,572,943</u>	<u>7,095,933</u>	<u>472,586</u>	<u>85,248</u>	<u>10,278,612</u>
Operating income	<u>264,355</u>	<u>24,392</u>	<u>1,124,124</u>	<u>(146,045)</u>	<u>158,545</u>	<u>1,425,371</u>
Nonoperating revenues (expenses):						
Impact fees	528,376	415,954	-	46,052	-	990,382
Rent	-	17,362	-	-	-	17,362
Capital grants and contributions	-	-	-	-	-	-
Investment earnings	38,906	76,401	97,264	19,870	5,102	237,543
Interest and fiscal charges	-	(50,627)	-	-	-	(50,627)
Bond issuance costs	-	-	-	-	-	-
Gain (Loss) on sale of fixed assets	54,480	-	9,665	-	-	64,145
Total nonoperating revenue (expenses)	<u>621,762</u>	<u>459,090</u>	<u>106,929</u>	<u>65,922</u>	<u>5,102</u>	<u>1,258,805</u>
Income before contributions and transfers	<u>886,117</u>	<u>483,482</u>	<u>1,231,053</u>	<u>(80,123)</u>	<u>163,647</u>	<u>2,684,176</u>
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Change in net position	<u>886,117</u>	<u>483,482</u>	<u>1,231,053</u>	<u>(80,123)</u>	<u>163,647</u>	<u>2,684,176</u>
Total net position - beginning	<u>6,995,567</u>	<u>4,479,940</u>	<u>11,945,973</u>	<u>3,637,773</u>	<u>876,557</u>	<u>27,935,810</u>
Total net position - ending	<u>\$ 7,881,684</u>	<u>\$ 4,963,422</u>	<u>\$ 13,177,026</u>	<u>\$ 3,557,650</u>	<u>\$ 1,040,204</u>	<u>\$ 30,619,986</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, 2020

	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	\$ 1,311,454	\$ 1,586,198	\$ 8,232,096	\$ 328,733	\$ 239,241	\$ 11,697,722
Payments to suppliers	(248,949)	228,918	(5,856,165)	(78,104)	21,125	(5,933,175)
Payments to employees	(364,957)	(425,190)	(929,594)	(71,274)	(13,449)	(1,804,464)
Net cash provided by operating activities	<u>697,548</u>	<u>1,389,926</u>	<u>1,446,337</u>	<u>179,355</u>	<u>246,917</u>	<u>3,960,083</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer out to other funds	-	-	-	-	-	-
Net cash (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(496,666)	(2,455,148)	(700,367)	(637,171)	(65,218)	(4,354,570)
Receipts from sale of assets	80,000	-	9,665	-	-	89,665
Receipts from property rental	-	17,362	-	-	-	17,362
Receipts from impact fees	528,376	415,954	-	46,052	-	990,382
Receipts from issuance of debt	-	2,402,000	-	-	-	-
Payments for deferred outflows/inflows and unfunded pension liability	(2,659)	(21,589)	(12,667)	(1,444)	(1,522)	(39,881)
Payment on bonds payable and note payable	-	(226,000)	-	-	-	(226,000)
Interest and fiscal charges paid on bonds and note	-	(49,133)	-	-	-	(49,133)
Net cash provided (used) from capital and related financing activities	<u>109,051</u>	<u>83,446</u>	<u>(703,369)</u>	<u>(592,563)</u>	<u>(66,740)</u>	<u>(3,572,175)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	-
Interest received	38,906	76,401	97,264	19,870	5,102	237,543
Net cash provided (used) from investing activities	<u>38,906</u>	<u>76,401</u>	<u>97,264</u>	<u>19,870</u>	<u>5,102</u>	<u>237,543</u>
Net increase (decrease) in cash and cash equivalents	845,505	1,549,773	840,232	(393,338)	185,279	625,451
Cash and cash equivalents beginning of year	1,524,128	2,616,419	4,262,257	959,264	161,300	9,523,368
Cash and cash equivalents end of year	<u>\$ 2,369,633</u>	<u>\$ 4,166,192</u>	<u>\$ 5,102,489</u>	<u>\$ 565,926</u>	<u>\$ 346,579</u>	<u>\$ 10,148,819</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	\$ 264,355	\$ 24,392	\$ 1,124,124	\$ (146,045)	\$ 158,545	\$ 1,425,371
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	334,590	347,684	354,184	215,355	42,776	1,294,589
Change in assets and liabilities:						
Accounts receivable	(4,804)	(11,135)	12,039	2,194	(4,553)	(6,259)
Inventory	(2,214)	-	(21,078)	136	-	(23,156)
Accounts payable	74,075	1,004,364	(87,264)	103,905	48,984	1,144,064
Deposits and retainage payable	-	-	38,847	-	-	38,847
Compensated absences	31,546	24,623	25,485	3,812	1,165	86,631
Net cash provided by (used in) operating activities	<u>\$ 697,548</u>	<u>\$ 1,389,928</u>	<u>\$ 1,446,337</u>	<u>\$ 179,357</u>	<u>\$ 246,917</u>	<u>\$ 3,960,087</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, 2020

ASSETS	
Cash and cash equivalents	\$ 28,004
Fines receivable	<u>30,722</u>
Total assets	<u>58,726</u>
LIABILITIES	
Due to other governments	<u>58,726</u>
Total liabilities	<u>58,726</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, 2020

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, 2020

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 these 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, 2020

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, 2020

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 custodial 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, 2020

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, 2020

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, 2020

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, 2020

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. 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.

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

J. 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.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position/Fund Balances (Continued)

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 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.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position/Fund Balances (continued)

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.

K. 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 2020, and due November 30, 2020, 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 \$598,348, of which \$589,451 is unearned and deferred to the future period. The remaining \$8,897 is for delinquent property taxes for taxes assessed for calendar year 2020 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.

L. 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.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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.

N. 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.

O. 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 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 a deferred inflow of resources. See Note 4.

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2. RECEIVABLES

Receivables at June 30, 2020, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund receivables	\$ 603,436	\$ 65,080	\$ 231,200	\$ 899,716
General Fund bad debt reserve	-	-	(874)	(874)
Total receivables	<u>\$ 603,436</u>	<u>\$ 65,080</u>	<u>\$ 230,326</u>	<u>\$ 898,842</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 136,700	\$ 136,700
Sewer Fund	-	-	195,809	195,809
Electric Fund	-	-	663,962	663,962
Irrigation Fund	-	-	45,043	45,043
Storm Water Fund	-	-	20,625	20,625
Less: bad debt reserve	-	-	(10,234)	(10,234)
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,051,905</u>	<u>\$ 1,051,905</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 \$7,681 in deferred collection costs.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, 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	2,049,225	1,208,097	-	3,257,322
Total capital assets not being depreciated	<u>2,961,419</u>	<u>1,208,097</u>	<u>-</u>	<u>4,169,516</u>
Capital assets being depreciated:				
Buildings	7,680,139	80,952	-	7,761,091
Improvements	2,797,341	151,392	-	2,948,733
Machinery and equipment	3,279,323	242,877	-	3,522,200
Infrastructure	10,528,276	540,090	-	11,068,366
Total capital assets being depreciated	<u>24,285,079</u>	<u>1,015,311</u>	<u>-</u>	<u>25,300,390</u>
Less accumulated depreciation				
Buildings	(4,627,923)	(300,370)	-	(4,928,293)
Improvements	(1,712,938)	(91,904)	-	(1,804,842)
Machinery and equipment	(2,290,555)	(163,594)	-	(2,454,149)
Infrastructure	(6,568,449)	(416,930)	-	(6,985,379)
Total accumulated depreciation	<u>(15,199,865)</u>	<u>(972,798)</u>	<u>-</u>	<u>(16,172,663)</u>
Total capital assets being depreciated, net	<u>9,085,214</u>	<u>42,513</u>	<u>-</u>	<u>9,127,727</u>
Governmental activity capital assets, net	<u>\$ 12,046,633</u>	<u>\$ 1,250,610</u>	<u>\$ -</u>	<u>\$ 13,297,243</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 1,561,739	\$ -	\$ -	\$ 1,561,739
Water stock and rights	2,143,608	-	-	2,143,608
Payson Project electric entitlement	101,112	-	-	101,112
Construction in progress	4,685,472	3,315,941	(4,466,676)	3,534,737
Total assets not being depreciated	<u>8,491,931</u>	<u>3,315,941</u>	<u>(4,466,676)</u>	<u>7,341,196</u>
Capital assets being depreciated:				
Buildings	9,689,461	825,075	-	10,514,536
Improvements	27,420,320	4,194,116	-	31,614,436
Machinery and equipment	3,901,154	486,115	(47,292)	4,339,977
Total capital assets being depreciated	<u>41,010,935</u>	<u>5,505,306</u>	<u>(47,292)</u>	<u>46,468,949</u>
Less accumulated depreciation				
Buildings	(7,028,670)	(355,657)	-	(7,384,327)
Improvements	(19,834,716)	(741,953)	-	(20,576,669)
Machinery and equipment	(2,723,830)	(196,979)	21,772	(2,899,037)
Total accumulated depreciation	<u>(29,587,216)</u>	<u>(1,294,589)</u>	<u>21,772</u>	<u>(30,860,033)</u>
Total capital assets being depreciated, net	<u>11,423,719</u>	<u>4,210,717</u>	<u>(25,520)</u>	<u>15,608,916</u>
Business-type capital assets, net	<u>\$ 19,915,650</u>	<u>\$ 7,526,658</u>	<u>\$ (4,492,196)</u>	<u>\$ 22,950,112</u>

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

Administration	\$ 63,564
Culture, parks and recreation	334,414
Highways and streets	470,236
Shop	413
Cemetery	16,641
Public safety	71,522
Senior citizens	12,855
Community progress	3,153
Total depreciation expense - governmental activities	\$ 972,798

Business-type activities:

Water	\$ 334,590
Sewer	347,684
Electric	354,184
Irrigation	215,355
Storm Water	42,775
Total depreciation expense - business-type activities	\$ 1,294,588

NOTE 4. 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, 2020

NOTE 4 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, 2020

NOTE 4. RETIREMENT PLANS (continued)

unfunded actuarial accrued liability. Contribution rates as of June 30, 2020, 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	15.54%	1.15%
Noncontributory System				
15-Local Governmental Division Tier 1 Tier 2 DC Only	N/A	N/A	18.47%	NA
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, 2020, the employer and employee contributions to the Systems were as follows:

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 253,625	N/A
Tier 2 Public Employees System	46,396	\$ -
Tier 2 DC Only System	4,189	N/A
Total Contributions	<u>\$ 304,210</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, 2020, the City reported a net pension asset of \$0 and a net pension liability of \$543,381.

	Measurement Date: December 31, 2019			Dec. 31, 2018		
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	Change	
Noncontributory System	\$ -	\$ 539,695	14.3198200%	13.8017200%	0.5181000%	
Tier 2 Public Employees System	-	3,686	0.0163876%	1.5196800%	-1.5032924%	
Total Net Pension Asset/Liability	<u>\$ -</u>	<u>\$ 543,381</u>				

The net pension asset and liability were measured as of December 31, 2019, 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, 2020

NOTE 4. RETIREMENT PLANS (continued)

determined by an actuarial valuation as of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset/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, 2020, the City recognized pension expense of \$293,019.

At June 30, 2020, 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	\$ 50,123	\$ 9,017
Changes in assumptions	58,734	106
Net difference between projected and actual earnings on pension plan investments	-	275,762
Changes in proportion and differences between contributions and proportionate share of contributions	27,650	14,763
Contributions subsequent to the measurement date	152,644	-
Total	\$ 289,151	\$ 299,648

\$152,644 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, 2019.

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

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2020	(\$16,610)
2021	(\$56,025)
2022	\$11,426
2023	(\$104,526)
2024	\$370
Thereafter	\$2,224

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4. RETIREMENT PLANS (continued)

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

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

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

The actuarial assumptions used in the January 1, 2019, valuation was based on the results of an actuarial experience study for the five year period ending December 31, 2014.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4. RETIREMENT PLANS (continued)

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

The discount rate does not use the Municipal Bond Index Rate.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

	(5.95%)	(6.95%)	(7.95%)
Proportionate share of			
Noncontributory System	\$ 1,685,656	\$ 539,695	\$ (416,024)
Tier 2 Public Employees			
System	31,783	3,686	(18,029)
	\$ 1,717,439	\$ 543,381	\$ (434,053)

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

- 401(k) Plan

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4. RETIREMENT PLANS (continued)

- 457(b) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, 2020, are as follows:

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$55,657	\$77,598
457 Plan	\$21,720	-
Roth IRA Plan	\$10,855	N/A

NOTE 5. LONG-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2020:

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. The following is a debt schedule over the period of the bonds.

Year	Principal	Hardship Assessment	Total	Imputed Interest Rate
2021	229,000	12,129	241,129	1.30%
2022	232,000	9,152	241,152	1.30%
2023	235,000	6,136	241,136	1.30%
2024	237,000	3,081	240,081	1.30%
	\$ 933,000	\$ 30,498	\$ 963,498	

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5. LONG-TERM OBLIGATIONS (continued)

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. The following is a debt schedule over the period of the bonds.

On December 12, 2019, the City received an interim loan of \$2,402,000 from Zions Bank, to finance the construction of a wastewater treatment plant. The loan is to be repaid from sewer sales from the sewer utility fund. The loan matures December 15, 2021 and the entire amount is due at that time. The City makes interest only payments on December 15 and June 15 each year.

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	Obligations for Compensated Absences	Total
Governmental Type Activities:					
Balance, July 1	-	\$ -	\$ 333,135	\$ 229,580	\$ 562,715
Additions	-	-	-	69,848	69,848
Retirements	-	-	(124,097)	(89,059)	(213,156)
Balance, June 30	\$ -	\$ -	\$ 209,038	\$ 210,369	\$ 419,407
Due within 1 year	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:					
Balance, July 1	\$ -	\$ 1,159,000	\$ 689,694	\$ 372,357	\$ 2,221,051
Additions	2,402,000	-	-	111,763	2,513,763
Retirements	-	(226,000)	(355,351)	(25,133)	(606,484)
Balance, June 30	\$ 2,402,000	\$ 933,000	\$ 334,343	\$ 458,987	\$ 4,128,330
Due within 1 year	\$ -	\$ 229,000	\$ -	\$ -	\$ 229,000

NOTE 6. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2020.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City's Community Progress department had expenditures in excess of appropriations for the year ended June 30, 2020.

There were no fund balance/net position deficits at June 30, 2020.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8. 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, 2020, the carrying amount of the City deposits was \$1,450,953 and the bank balance was \$1,790,942. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,290,942 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, 2020

NOTE 8. 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, 2020 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	\$ 2,808,083	Level 2
Bank of Utah-Advantage Public Fund	N/A	Not rated	2,608,401	Level 1
Cache Valley Bank Savings	N/A	Not rated	7,173,458	Level 1
Utah Public Treasurer's Investment Fund	less than one year	Not rated	<u>1,337,049</u>	Level 2
Total investments			13,926,991	
Deposits-cash in bank			<u>1,450,953</u>	
Total cash and investments			<u><u>\$ 15,377,944</u></u>	
As reported in the financial statements:				
Cash and cash equivalents-primary			\$ 12,541,857	
Restricted cash and cash equivalents			2,808,083	
Cash and cash equivalents - Fiduciary Funds			<u>28,004</u>	
			<u><u>\$ 15,377,944</u></u>	

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.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8. 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, 2020

NOTE 8. 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 9. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

Transfer in to:		Transfer out from:	
Capital Projects Fund	\$ 2,000,000	General Fund	\$ 2,000,000

The transfer from the General Fund to the Capital Projects Fund was to provide funding for parks and trail construction projects of the City.

UTAH STATE RETIREMENT SYSTEMS
OTHER SUPPLEMENTARY INFORMATION

HYRUM CITY CORPORATION
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2019

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)	14.319820%	1.6387600%
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
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
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%
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%

*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, 2020**

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	2011	\$ 162,106	\$ 162,106	\$ -	\$ 1,116,530	14.52%
	2012	\$ 170,361	\$ 170,361	\$ -	\$ 1,237,188	13.77%
	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%
Tier 2 Public Employees System*	2011	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A
	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%

Tier 2 Public Employees DC

*Amounts presented were determined as of calendar year January 1-December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for six years.

**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, 2020

Changes in Assumptions:

As a result of an experience study conducted as of January 1, 2017, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact of the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumptions from 7.2% to 6.95%, a reduction in the price inflation assumption from 2.6% to 2.5% (which also resulted in a corresponding decrease in the cost-of-living adjustment assumption for the funds with a 4% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

There were no assumption changes adopted as a result of an experience study conducted as of January 1, 2017.

SUPPLEMENTARY INFORMATION

HYRUM CITY CORPORATION
MAJOR CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	<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	340,000	340,000	-	(340,000)
Investment earnings	2,000	15,000	4,989	(10,011)
Contributions	-	-	-	-
Total revenues	<u>342,000</u>	<u>355,000</u>	<u>4,989</u>	<u>(350,011)</u>
EXPENDITURES				
Other general government	-	-	-	-
Public safety	1,450,000	1,450,000	534,429	915,571
Culture, parks and recreation	740,980	740,980	499,839	241,141
Total expenditures	<u>2,190,980</u>	<u>2,190,980</u>	<u>1,034,268</u>	<u>1,156,712</u>
Excess of revenues over expenditures	<u>(1,848,980)</u>	<u>(1,835,980)</u>	<u>(1,029,279)</u>	<u>806,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	316,978	716,978	2,000,000	(1,283,022)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>316,978</u>	<u>716,978</u>	<u>2,000,000</u>	<u>(1,283,022)</u>
Net change in fund balances	<u>(1,532,002)</u>	<u>(1,119,002)</u>	<u>970,721</u>	<u>2,089,723</u>
Fund balances - beginning	<u>763,699</u>	<u>763,699</u>	<u>763,699</u>	<u>-</u>
Fund balances - ending	<u>\$ (768,303)</u>	<u>\$ (355,303)</u>	<u>\$ 1,734,420</u>	<u>\$ 2,089,723</u>

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance As Required by the <i>State Compliance Audit Guide</i>	3-5
Schedule of Findings and Recommendations	6-7
Status of Prior Year Findings and Recommendations	8
Management's Response	9

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, 2020, 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 December 2, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hyrum City Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hyrum City Corporation's internal control.

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

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

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*. However, we noted an immaterial instance of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

City's Response to Findings

Hyrum City Corporation's response to the finding identified in our audit is described in the accompanying Management's Response. Hyrum City Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 84302
December 2, 2020

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, 2020.

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

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Restricted Taxes and Related Revenue
- Open and Public Meetings Act
- Fraud Risk Assessment
- Enterprise Fund Transfers, Reimbursements, Loans, and Services

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, 2020.

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
December 2, 2020

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020

INTERNAL CONTROLS

OTHER MATTERS

20-1 INVENTORY

Condition:

During our physical observation of inventory, we found discrepancies between our count at year end and the city employees count.

Criteria:

Good internal control practices require that a physical inventory count be conducted at least annually to ensure inventory is accurate. Best practices suggest having two people count independently of each other and having one person in charge of ordering inventory in each department.

Cause of Condition:

Independent counts by two employees were not compared to check for discrepancies. In addition, there was a lack of communication between employees on when inventory is ordered and shipped close to year end. Inventory was received after the inventory count was conducted.

Potential effect:

Inventory could be over or understated based on inaccurate counts.

Recommendation:

We recommend one employee is assigned per department to order inventory and that two employees independently count inventory at year end. The employee who orders inventory should communicate to those who perform the counting of any shipments arriving near year end.

STATE COMPLIANCE

20-2 FRAUD RISK ASSESSMENT

Condition:

Fraud risk assessment was not presented in a city council meeting before the end of the fiscal year end.

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
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020

20-2 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 presentation requirement by year end.

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

Recommendation:

We recommend the assessment be presented in the next available city council meeting.

Response: See accompanying letter.

20-3 BUDGETARY COMPLIANCE

Condition: During our audit, we noted that the Community Progress Department had actual expenditures in excess of the approved budget.

Criteria: *Utah Code 17B8-1-619* prohibits expenditures in excess of total budgeted expenditures of the final adopted budget.

Cause of Condition:

The City had excess grant money come in at the end of the year and therefore they overspent.

Potential effect: The budget is a formal document approved in a public meeting with taxpayer input. Excess expenditures negate this public notice and could negatively affect the economic position of the District.

Recommendation:

We recommend the City review the expenditures carefully throughout the year and bring adjustments to the Board in a timely manner.

HYRUM CITY CORPORATION
PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020

STATE COMPLIANCE

OTHER MATTERS

19-1 PURCHASE ORDERS

Condition:

It was noted in our cash disbursement testing that purchase orders are not used consistently for applicable purchases.

Criteria:

Ordinance 14-01 3.04.040 states that all equipment, materials, supplies and services must have a purchase order. There are exceptions for utilities and similar, taxes, bond and loan payments, authorized monthly travel, and professional or contractual services approved by council action. In addition, state law requires the City to use purchase orders.

Cause of Condition:

The City does not have a uniform purchase order form in place that all departments use and there is a lack of enforcement by management of the Ordinance.

Potential effect:

Not utilizing a purchase order system as required by city ordinance, puts the City at risk for unauthorized purchases and payables. Purchase orders are an integral part of the City's internal control system for expenditures and accounts payable. The City is not in compliance with state statutes and city ordinances, as well.

Recommendation:

We recommend the City develop a purchase order system that is uniform and enforceable and meets the needs of the City while satisfying the minimum qualifications required by the state.

Status:

Implemented.