

HYRUM CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2021

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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
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24-48
Required Supplementary Information	
Schedule of Required Supplementary Information - Utah Retirement Systems	49-51
Major Capital Project Fund-Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	52
Reports and Schedules required by the Single Audit Act:	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	53-55
Schedule of Expenditures of Federal Awards	56
Notes to the Schedule of Expenditures of Federal Awards	57-58



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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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 49-51 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 November 30, 2021, 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., PC
Brigham City, Utah
November 30, 2021

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, 2021. 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 \$6,431,545 totaling \$52,099,194. The governmental activities net position increased by \$3,343,974 and the business-type activities net position increased by \$3,087,571.
- The total net position of governmental and business-type activities is \$52,099,194 and is made up of \$38,507,227 in capital assets net of related debt, such as land, infrastructure and equipment, and \$13,591,967 in other net position. The \$13,591,967 in other net position is made up of \$2,131,882, which is restricted for capital projects; \$387,879 is restricted for debt service items related to the sewer bonds and a loan; and the remaining \$11,072,206 is unrestricted.
- Total long-term liabilities for the City decreased by \$644,782. The long-term debt for governmental activities decreased as the unfunded pension liability decreased by \$182,042 and the obligations for compensated absences increased by \$10,103. The business-type activities long-term debt decreased by \$472,843, with a decrease in net unfunded pension liability of \$276,348 and a \$39,391 increase in obligations for compensated absences and a decrease in bonds payable of \$229,000.

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 \$52,099,194, at June 30, 2021.

By far the largest portion of Hyrum City’s net position, \$38,507,227 (74%) 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:

	<u>2021</u>	<u>2020</u>	<u>Total Change</u>
Governmental activities:			
Current and other assets	\$ 6,538,398	\$ 3,727,885	\$ 2,810,513
Capital assets	<u>14,672,371</u>	<u>13,306,140</u>	<u>1,366,231</u>
Total assets	<u>21,210,769</u>	<u>17,034,025</u>	<u>4,176,744</u>
Deferred outflow of resources	<u>111,107</u>	<u>709,584</u>	<u>(598,477)</u>
Total assets and deferred outflow of resources	<u>21,321,876</u>	<u>17,743,609</u>	<u>3,578,267</u>
Current and other liabilities	1,821,635	973,465	(848,170)
Long-term liabilities	<u>247,468</u>	<u>419,407</u>	<u>171,939</u>
Total liabilities	<u>2,069,103</u>	<u>1,392,872</u>	<u>(676,231)</u>
Deferred inflows of resources	<u>861,136</u>	<u>704,726</u>	<u>(156,410)</u>
Total liabilities and deferred inflows of resources	<u>2,930,239</u>	<u>2,097,598</u>	<u>(832,641)</u>
Net position:			
Investment in capital assets, net of related debt	14,665,899	13,297,243	1,368,656
Restricted	2,131,882	1,734,420	397,462
Unrestricted	<u>1,593,856</u>	<u>16,000</u>	<u>1,577,856</u>
Total net position	<u>\$ 18,391,637</u>	<u>\$ 15,047,663</u>	<u>\$ 3,343,974</u>
Business-type activities:			
Current and other assets	\$ 11,911,825	\$ 11,252,264	\$ 659,561
Capital assets	<u>27,328,277</u>	<u>25,758,195</u>	<u>1,570,082</u>
Total assets	<u>39,240,102</u>	<u>37,010,459</u>	<u>2,229,643</u>
Deferred outflow of resources	<u>239,290</u>	<u>177,915</u>	<u>61,375</u>
Total assets and deferred outflow of resources	<u>39,479,392</u>	<u>37,188,374</u>	<u>2,291,018</u>
Current and other liabilities	1,689,628	2,255,685	566,057
Long-term liabilities	<u>3,655,487</u>	<u>4,128,330</u>	<u>472,843</u>
Total liabilities	<u>5,345,115</u>	<u>6,384,015</u>	<u>1,038,900</u>
Deferred inflows of resources	<u>426,719</u>	<u>184,373</u>	<u>242,346</u>
Total liabilities and deferred inflows of resources	<u>5,771,834</u>	<u>6,568,388</u>	<u>1,281,246</u>
Net position:			
Investment in capital assets, net of related debt	23,841,328	19,615,112	4,226,216
Restricted	387,879	2,880,083	(2,492,204)
Unrestricted	<u>9,478,350</u>	<u>8,124,791</u>	<u>1,353,559</u>
Total net position	<u>\$ 33,707,557</u>	<u>\$ 30,619,986</u>	<u>\$ 3,087,571</u>

The City's total net position increased by \$6,431,545 as summarized below.

	<u>2021</u>	<u>2020</u>	<u>Total Change</u>
Governmental activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 1,981,786	\$ 1,432,016	\$ 549,770
Operating grants	635,609	529,589	106,020
Capital grants and contributions	2,481,916	743,019	1,738,897
General revenues:			
Property taxes	660,909	610,221	50,688
Sales & Mass Transit taxes	1,829,924	1,493,093	336,831
Energy taxes	465,425	441,300	24,125
Franchise taxes	52,775	54,524	(1,749)
Unrestricted investment earnings	20,162	40,759	(20,597)
Gain (loss) on sale of capital assets	(4,889)		(4,889)
Total revenues	<u>8,123,617</u>	<u>5,344,521</u>	<u>2,779,096</u>
Expenses:			
Legislative	34,805	31,269	3,536
Judicial	91,495	70,951	20,544
Administration	194,774	251,466	(56,692)
Other general government	50,364	75,472	(25,108)
Public safety	299,391	544,266	(244,875)
Highways and streets	1,076,371	866,606	209,765
Sanitation	819,834	733,976	85,858
Planning, zoning and engineering	91,511	61,654	29,857
Culture, parks and recreation	953,623	1,035,618	(81,995)
Shop	25,404	23,770	1,634
Senior citizens	72,180	105,005	(32,825)
Cemetery	69,644	68,280	1,364
Community progress	1,000,247	357,951	642,296
Total expenses	<u>4,779,643</u>	<u>4,226,284</u>	<u>553,359</u>
Net revenues over expenses	3,343,974	1,118,237	2,225,737
Transfers	-	-	-
Change in net position	<u>\$ 3,343,974</u>	<u>\$ 1,118,237</u>	<u>\$ 2,225,737</u>
Business-type activities:			
Revenues:			
Program revenues:			
Charges for services	\$ 12,591,076	\$ 11,721,345	869,731
Operating grants		-	-
Capital grants and contributions	2,150,553	990,382	1,160,171
General revenues:			
Unrestricted investment earnings	54,347	237,543	(183,196)
Gain on sale of capital assets	55,907	64,145	(8,238)
Total revenues	<u>14,851,883</u>	<u>13,013,415</u>	<u>1,838,468</u>
Expenses:			
Water	1,208,202	1,051,902	156,300
Sewer	1,710,838	1,623,570	87,268
Electrical	8,248,205	7,095,933	1,152,272
Irrigation	487,522	472,586	14,936
Storm Water	109,545	85,248	24,297
Total expenses	<u>11,764,312</u>	<u>10,329,239</u>	<u>1,435,073</u>
Net revenues over expenses	3,087,571	2,684,176	403,395
Transfers	-	-	-
Change in net position	<u>\$ 3,087,571</u>	<u>\$ 2,684,176</u>	<u>\$ 403,395</u>

The increase in revenues was from a decrease in unrestricted investment earnings \$203,793; \$13,127 came from a decrease in gain (loss) on sale of capital assets; and \$1,749 decrease in franchise tax. The remaining amount comes from an increase in charges for services \$1,419,501; \$2,899,068 increase in capital grants and contributions; \$106,020 increase in operating grants; \$50,688 increase in property taxes; \$24,125 increase in energy taxes and \$336,831 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, 2021, the City's governmental funds (General & Capital Projects) reported combined fund balances of \$4,060,210. This represents an increase of \$1,886,345 from 2020'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 45% of total general fund revenues. The largest element of taxes is sales tax, representing 54% of total tax revenue and 24% 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 2020-21, the General Fund original budget for revenues was amended from \$5,313,251 to \$8,138,432 mostly due to CARES Act money. The original budget for expenditures was amended from \$4,918,470 to \$6,629,470 to account for expenditures of the Cares Act grant.

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, 2021, amounts to \$91,093,440. Accumulated depreciation on capital assets was \$(49,488,003). Net capital assets amounted to \$41,605,438 at June 30, 2021. The investment in capital assets includes land, buildings, improvements, infrastructure (roads, sidewalks, curb and gutter, water plant, sewer plant, electric plant and distribution, irrigation plant and storm water improvements) and machinery and equipment. The total increase in the City’s investment in capital assets during 2021 was \$7,813,390. Depreciation expense for 2021 was \$2,537,379 with \$1,031,070 recorded in governmental activities and \$1,506,309 recorded in business-type activities.

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

- Sewer upgrades and expansion \$1,274,187
- Equipment purchases \$984,648
- Blacksmith Fork Trail \$713,081
- Road expansion \$170,084
- Water lines \$522,309

Hyrum City's Capital Assets:

	<u>2021</u>	<u>2020</u>	<u>Total Change</u>
Governmental activities:			
Land	\$ 912,194	\$ 912,194	\$ -
Buildings	7,821,151	7,761,090	60,061
Improvements	3,728,150	2,948,734	779,416
Infrastructure	3,772,141	11,068,366	(7,296,225)
Machinery and equipment	11,446,304	3,522,200	7,924,104
Construction in progress	<u>4,152,437</u>	<u>3,257,322</u>	<u>895,115</u>
Total capital assets	31,832,377	29,469,906	2,362,471
Less: accumulated depreciation	<u>(17,166,477)</u>	<u>(16,172,663)</u>	<u>(993,814)</u>
Net capital assets	<u>\$ 14,665,900</u>	<u>\$ 13,297,243</u>	<u>\$ 1,368,657</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	10,514,536	-
Improvements	33,617,344	31,614,436	2,002,908
Machinery and equipment	4,871,233	4,339,977	531,256
Construction in progress	<u>6,451,492</u>	<u>3,534,737</u>	<u>2,916,755</u>
Total capital assets	59,261,064	53,810,145	5,450,919
Less: accumulated depreciation	<u>(32,321,526)</u>	<u>(30,860,033)</u>	<u>(1,461,493)</u>
Net capital assets	<u>\$ 26,939,538</u>	<u>\$ 22,950,112</u>	<u>\$ 3,989,426</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, 2021, the City had total outstanding debt of \$3,902,955.

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

	<u>2021</u>	<u>2020</u>	<u>Total Change</u>
Governmental activities:			
Compensated absences	\$ 220,472	\$ 210,369	\$ 10,103
Unfunded Pension liability	<u>26,996</u>	<u>209,038</u>	<u>(182,042)</u>
Total Governmental activities	<u>247,468</u>	<u>419,407</u>	<u>(171,939)</u>
Business-type activities:			
Compensated absences	498,423	459,032	39,391
Unfunded Pension liability	57,995	334,342	(276,347)
Interim Loan Payable	2,395,069	2,402,000	(6,931)
Sewer Revenue Bonds Payable	<u>704,000</u>	<u>933,000</u>	<u>(229,000)</u>
Total Business-type activities	<u>3,655,487</u>	<u>4,128,374</u>	<u>(472,887)</u>
Total Outstanding Long-term Debt	<u>\$ 3,902,955</u>	<u>\$ 4,547,781</u>	<u>\$ (644,826)</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, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES			
Current assets			
Cash and cash equivalents	\$ 5,370,484	\$ 9,010,069	\$ 14,380,553
Restricted cash and cash equivalents:			
Receivables:			
Taxes	675,771	-	675,771
Accounts	231,666	1,449,543	1,681,209
Intergovernmental	216,509	-	216,509
Inventory	-	1,446,963	1,446,963
Prepaid expenses	43,968	5,250	49,218
Total current assets	6,538,398	11,911,825	18,450,223
Non-current assets			
Restricted cash and cash equivalents:			
Revenue bond covenant accounts	-	387,879	387,879
Receivables:			
Taxes	6,472	-	6,472
Capital assets (net of accumulated depreciation):			
Land and easements	912,194	1,561,738	2,473,932
Water stock and rights	-	2,143,608	2,143,608
Buildings	2,587,963	2,753,291	5,341,254
Improvements	1,820,534	12,140,329	13,960,863
Machinery and equipment	1,160,608	1,788,829	2,949,437
Infrastructure	4,032,165	-	4,032,165
Payson electric entitlement	-	101,112	101,112
Construction in progress	4,152,435	6,451,491	10,603,926
Total non-current assets	14,672,371	27,328,277	42,000,648
Total Assets	21,210,769	39,240,102	60,450,871
Deferred Outflows of Resources:			
Deferred outflow of resources-pension amounts	111,107	239,290	350,397
Total deferred outflows of Resources	111,107	239,290	350,397
Total Assets and Deferred Outflow of Resources	21,321,876	39,479,392	60,801,268
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	619,106	1,296,681	1,915,787
Deposits and retainage payable	1,202,529	388,674	1,591,203
Accrued interest payable	-	4,273	4,273
Total current liabilities	1,821,635	1,689,628	3,511,263
Long-term liabilities			
Compensated absences	220,472	498,378	718,850
Noncurrent liabilities - due within one year	-	274,014	274,014
Noncurrent liabilities - due in more than one year	26,996	2,883,095	2,910,091
Total long-term liabilities	247,468	3,655,487	3,902,955
Deferred inflows of resources:			
Pension related items	198,112	426,719	624,831
Unearned revenue-property taxes	663,024	-	663,024
Total Deferred Inflows of Resources	861,136	426,719	1,287,855
Total Liabilities and Deferred Inflows of Resources	2,930,239	5,771,834	8,702,073
NET POSITION			
Investment in capital assets, net of debt	14,665,899	23,841,328	38,507,227
Restricted for:			
Debt service	-	387,879	387,879
Capital projects	2,131,882	-	2,131,882
Unrestricted	1,593,856	9,478,350	11,072,206
Total Net Position	\$ 18,391,637	\$ 33,707,557	\$ 52,099,194

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, 2021

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	\$ 34,805	\$ -	\$ -	\$ -	\$ (34,805)	\$ -	\$ (34,805)
Judicial	91,495	106,270	-	-	14,775	-	14,775
Administration	194,774	383,199	-	-	188,425	-	188,425
Other general government	50,364	83,111	-	-	32,747	-	32,747
Public safety	299,391	219,859	-	-	(79,532)	-	(79,532)
Highways and streets	1,076,371	-	578,803	556,414	58,846	-	58,846
Sanitation	819,834	892,580	-	-	72,746	-	72,746
Planning, zoning and engineering	91,511	214,780	-	-	123,269	-	123,269
Culture, parks and recreation	953,623	15,429	56,806	910,644	29,256	-	29,256
Shop	25,404	-	-	-	(25,404)	-	(25,404)
Senior citizens	72,180	6,048	-	-	(66,132)	-	(66,132)
Cemetery	69,644	60,510	-	-	(9,134)	-	(9,134)
Community progress	1,000,247	-	-	1,014,858	14,611	-	14,611
Total governmental activities	4,779,643	1,981,786	635,609	2,481,916	319,668	-	319,668
Business-type activities:							
Water	1,208,202	1,376,295	-	542,435	-	710,528	710,528
Sewer	1,710,838	1,791,123	-	1,531,948	-	1,612,233	1,612,233
Electric	8,248,205	8,819,062	-	12,650	-	583,507	583,507
Irrigation	487,522	335,599	-	63,520	-	(88,403)	(88,403)
Storm Water	109,545	268,997	-	-	-	159,452	159,452
Total business-type activities	11,764,312	12,591,076	-	2,150,553	-	2,977,317	2,977,317
Total primary government	\$ 16,543,955	\$ 14,572,862	\$ 635,609	\$ 4,632,469	319,668	2,977,317	3,296,985
General revenues							
Property taxes					660,909	-	660,909
Sales & mass transit taxes					1,829,924	-	1,829,924
Energy tax					465,425	-	465,425
Franchise tax					52,775	-	52,775
Grants and contributions not restricted to specific programs					-	-	-
Unrestricted investment earnings					20,162	54,347	74,509
Gain (loss) on sale of capital assets					(4,889)	55,907	51,018
Transfers					-	-	-
Total general revenues and transfers					3,024,306	110,254	3,134,560
Change in net position					3,343,974	3,087,571	6,431,545
Net position - beginning					15,047,663	30,619,986	45,667,649
Net position - ending					\$ 18,391,637	\$ 33,707,557	\$ 52,099,194

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

HYRUM CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Capital Project Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,236,086	\$ 2,134,398	\$ 5,370,484
Receivables:			
Taxes	675,771	-	675,771
Accounts	231,666	-	231,666
Intergovernmental	96,509	120,000	216,509
Prepaid expenses	43,968	-	43,968
Total assets	\$ 4,284,000	\$ 2,254,398	\$ 6,538,398
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 496,591	\$ 122,516	\$ 619,107
Contracts and deposits payable	1,202,529	-	1,202,529
Total liabilities	1,699,120	122,516	1,821,636
 Deferred inflow of resources-Unearned property taxes	656,552	-	656,552
Total liabilities and deferred inflow of resources	2,355,672	122,516	2,478,188
 Fund balances			
Assigned:			
Museum	14,465	-	14,465
Elite Hall	3,404	-	3,404
First responders	5,601	-	5,601
Fire department	346,520	-	346,520
Senior Center	34,965	-	34,965
Parks and Trails	-	2,131,882	2,131,882
Unassigned	1,523,373	-	1,523,373
Total fund balances	1,928,328	2,131,882	4,060,210
Total liabilities and fund balances	\$ 4,284,000	\$ 2,254,398	\$ 6,538,398

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, 2021

Total fund balances-governmental funds \$ 4,060,210

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

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

Land	\$ 912,194	
Buildings	7,821,151	
Improvements	3,728,150	
Machinery and equipment	3,772,142	
Infrastructure	11,446,304	
Construction in progress	4,152,437	
Accumulated depreciation	<u>(17,166,478)</u>	
Total capital assets		14,665,900

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

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

Deferred outflows of resources-pension items	\$ 111,107	
Unfunded pension liability	(26,996)	
Deferred inflows of resources-pension items	(198,112)	
Compensated absences	<u>(220,472)</u>	
Total liabilities		<u>(334,473)</u>

Total net position-governmental activities \$ 18,391,637

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, 2021

	General	Capital Project Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property	\$ 660,909	\$ -	\$ 660,909
Sales	1,622,584	-	1,622,584
Energy	465,425	-	465,425
Franchise	52,775	-	52,775
Mass transit	207,340	-	207,340
Licenses and permits	144,195	-	144,195
Intergovernmental	1,593,661	485,644	2,079,305
Charges for services	1,726,042	-	1,726,042
Fines	106,270	-	106,270
Miscellaneous	5,279	-	5,279
Contributions	56,806	425,000	481,806
Investment earnings	11,282	8,880	20,162
Total revenues	<u>6,652,568</u>	<u>919,524</u>	<u>7,572,092</u>
EXPENDITURES			
Current:			
Legislative	34,805	-	34,805
Judicial	96,425	-	96,425
Administration	127,512	-	127,512
Other general government	76,667	-	76,667
Public safety	225,330	40,087	265,417
Highways and streets	1,033,649	-	1,033,649
Sanitation	819,834	-	819,834
Planning, zoning and engineering	94,232	-	94,232
Culture, parks and recreation	846,320	1,481,975	2,328,295
Shop	25,536	-	25,536
Senior citizens	57,521	-	57,521
Cemetery	63,392	-	63,392
Community progress	1,230,629	-	1,230,629
Total expenditures	<u>4,731,852</u>	<u>1,522,062</u>	<u>6,253,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,920,716</u>	<u>(602,538)</u>	<u>1,318,178</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,000,000	1,000,000
Transfers out	(1,000,000)	-	(1,000,000)
Impact fees	556,414	-	556,414
Proceeds from sale of assets	11,753	-	11,753
Total other financing sources and uses	<u>(431,833)</u>	<u>1,000,000</u>	<u>568,167</u>
Net change in fund balances	1,488,883	397,462	1,886,345
Fund balances - beginning	439,445	1,734,420	2,173,865
Fund balances - ending	<u>\$ 1,928,328</u>	<u>\$ 2,131,882</u>	<u>\$ 4,060,210</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, 2021

Net change in fund balances - total governmental funds \$ 1,886,345

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 \$2,416,369 exceed depreciation (\$1,031,070) during the period. 1,385,299

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. (16,644)

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

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

Unfunded pension liability	\$ 182,042	
Compensated absences	(10,102)	
Deferred outflow of resources-pension related items	(129)	
Deferred inflow of resources-pension related items	(82,837)	
	88,974	88,974

Change in net position of governmental activities \$ 3,343,974

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property and fee in lieu	\$ 654,451	\$ 609,451	\$ 660,909	\$ 51,458
Sales	1,190,000	1,490,000	1,622,584	132,584
Energy	500,000	500,000	465,425	(34,575)
Franchise	55,000	55,000	52,775	(2,225)
Mass transit	175,000	300,000	207,340	(92,660)
Licenses and permits	61,000	172,000	144,195	(27,805)
Intergovernmental	1,027,600	2,299,400	1,593,661	(705,739)
Charges for services	1,388,800	2,240,700	1,726,042	(514,658)
Fines	126,900	126,900	106,270	(20,630)
Miscellaneous	28,100	28,100	5,279	(22,821)
Contributions	79,000	289,481	56,806	(232,675)
Investment earnings	27,400	27,400	11,282	(16,118)
Total revenues	5,313,251	8,138,432	6,652,568	(1,485,864)
EXPENDITURES				
Current:				
General government:				
Legislative	43,850	43,850	34,805	9,045
Judicial	118,500	118,500	96,425	22,075
Administration	189,600	199,600	127,512	72,088
Other general government	218,600	218,600	76,667	141,933
Public safety	535,310	653,310	225,330	427,980
Highways and streets	1,339,900	1,339,900	1,033,649	306,251
Sanitation	750,000	825,000	819,834	5,166
Planning, zoning and engineering	103,450	111,450	94,232	17,218
Culture, parks and recreation	1,024,500	1,024,500	846,320	178,180
Shop	30,300	30,300	25,536	4,764
Senior citizens	122,500	122,500	57,521	64,979
Cemetery	69,600	69,600	63,392	6,208
Community progress	372,360	1,872,360	1,230,629	641,731
Total expenditures	4,918,470	6,629,470	4,731,852	1,897,618
Excess of revenues over expenditures	394,781	1,508,962	1,920,716	411,754
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(2,150,000)	(2,150,000)	(1,000,000)	1,150,000
Proceeds from sale of fixed assets	25,000	25,000	11,753	(13,247)
Impact fees	239,800	604,700	556,414	(48,286)
Total other financing sources and uses	(1,885,200)	(1,520,300)	(431,833)	1,088,467
Net change in fund balances	(1,490,419)	(11,338)	1,488,883	1,500,221
Fund balances - beginning	1,069,401	316,498	439,445	122,947
Fund balances - ending	\$ (421,018)	\$ 305,160	\$ 1,928,328	\$ 1,623,168

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, 2021

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
ASSETS AND DEFERRED OUTFLOW OF RESOURCES						
Current assets:						
Cash and cash equivalents	\$ 2,491,560	\$ 2,171,880	\$ 3,407,554	\$ 521,593	\$ 417,482	\$ 9,010,069
Restricted cash and cash equivalents:						
Receivables:						
Accounts	156,604	215,383	1,007,470	44,829	25,257	1,449,543
Inventory	59,149	-	1,384,528	3,286	-	1,446,963
Prepaid expenses	2,250	3,000	-	-	-	5,250
Total current assets	<u>2,709,563</u>	<u>2,390,263</u>	<u>5,799,552</u>	<u>569,708</u>	<u>442,739</u>	<u>11,911,825</u>
Noncurrent assets:						
Restricted cash and cash equivalents:						
Revenue bond accounts	-	387,879	-	-	-	387,879
Capital assets (net of accumulated depreciation):						
Land and easements	23,411	587,937	823,440	86,384	40,566	1,561,738
Water stock and rights	984,731	-	-	1,158,877	-	2,143,608
Buildings	209,289	1,550,869	993,133	-	-	2,753,291
Improvements other than buildings	4,263,388	145,990	5,322,961	1,670,169	737,821	12,140,329
Machinery & equipment	556,679	128,825	1,092,466	10,859	-	1,788,829
Payson Electric Entitlement	-	-	101,112	-	-	101,112
Construction in progress	16,708	5,016,263	1,418,520	-	-	6,451,491
Total noncurrent assets	<u>6,054,206</u>	<u>7,817,763</u>	<u>9,751,632</u>	<u>2,926,289</u>	<u>778,387</u>	<u>27,328,277</u>
Total assets	<u>8,763,769</u>	<u>10,208,026</u>	<u>15,551,184</u>	<u>3,495,997</u>	<u>1,221,126</u>	<u>39,240,102</u>
Deferred Outflow of Resources:						
Deferred outflow of resources-pension amounts	44,291	55,924	128,177	7,744	3,154	239,290
Total assets and deferred outflow of resources	<u>8,808,060</u>	<u>10,263,950</u>	<u>15,679,361</u>	<u>3,503,741</u>	<u>1,224,280</u>	<u>39,479,392</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES						
Current liabilities:						
Accounts payable	6,678	309,269	975,232	2,617	2,885	1,296,681
Deposits and retainage payable	-	-	388,674	-	-	388,674
Total current liabilities	<u>6,678</u>	<u>309,269</u>	<u>1,363,906</u>	<u>2,617</u>	<u>2,885</u>	<u>1,685,355</u>
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	274,014	-	-	-	274,014
Accrued interest payable	-	4,273	-	-	-	4,273
Total current liabilities payable from restricted assets	<u>-</u>	<u>278,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,287</u>
Noncurrent liabilities:						
Compensated absences	90,209	151,450	229,864	13,383	13,472	498,378
Noncurrent liabilities - due in more than one year	10,743	2,838,619	31,089	1,879	765	2,883,095
Total noncurrent liabilities	<u>100,952</u>	<u>2,990,069</u>	<u>260,953</u>	<u>15,262</u>	<u>14,237</u>	<u>3,381,473</u>
Total liabilities	<u>107,630</u>	<u>3,577,625</u>	<u>1,624,859</u>	<u>17,879</u>	<u>17,122</u>	<u>5,345,115</u>
Deferred Inflow of Resources:						
Deferred inflow of resources-pension	78,983	99,728	228,575	13,809	5,624	426,719
Total liabilities and deferred inflow of resources	<u>186,613</u>	<u>3,677,353</u>	<u>1,853,434</u>	<u>31,688</u>	<u>22,746</u>	<u>5,771,834</u>
NET POSITION						
Invested in capital assets, net of related debt	6,054,206	4,330,814	9,751,632	2,926,289	778,387	23,841,328
Restricted for:						
Debt Service	-	387,879	-	-	-	387,879
Unrestricted	2,567,241	1,867,903	4,074,295	545,764	423,147	9,478,350
Total net position	<u>\$ 8,621,447</u>	<u>\$ 6,586,596</u>	<u>\$ 13,825,927</u>	<u>\$ 3,472,053</u>	<u>\$ 1,201,534</u>	<u>\$ 33,707,557</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, 2021

	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	\$ 1,376,295	\$ 1,773,761	\$ 8,819,062	\$ 335,599	\$ 268,997	\$ 12,573,714
Total operating revenues	<u>1,376,295</u>	<u>1,773,761</u>	<u>8,819,062</u>	<u>335,599</u>	<u>268,997</u>	<u>12,573,714</u>
Operating expenses:						
Personnel related expenses	361,921	488,605	1,076,251	65,750	27,865	2,020,392
System operating expenses, including power costs	136,735	525,051	5,814,388	132,084	35,490	6,643,748
Repairs and maintenance	355,480	277,949	818,892	70,827	261	1,523,409
Depreciation	354,066	350,511	538,674	218,861	45,929	1,508,041
Total operating expenses	<u>1,208,202</u>	<u>1,642,116</u>	<u>8,248,205</u>	<u>487,522</u>	<u>109,545</u>	<u>11,695,590</u>
Operating income	<u>168,093</u>	<u>131,645</u>	<u>570,857</u>	<u>(151,923)</u>	<u>159,452</u>	<u>878,124</u>
Nonoperating revenues (expenses):						
Impact fees	542,435	443,292	12,650	63,520	-	1,061,897
Rent	-	17,362	-	-	-	17,362
Capital grants and contributions	-	1,088,658	-	-	-	1,088,658
Investment earnings	13,876	10,940	24,847	2,807	1,877	54,347
Interest and fiscal charges	-	(68,722)	-	-	-	(68,722)
Bond issuance costs	-	-	-	-	-	-
Gain (Loss) on sale of fixed assets	15,359	-	40,548	-	-	55,907
Total nonoperating revenue (expenses)	<u>571,670</u>	<u>1,491,530</u>	<u>78,045</u>	<u>66,327</u>	<u>1,877</u>	<u>2,209,449</u>
Income before contributions and transfers	<u>739,763</u>	<u>1,623,175</u>	<u>648,902</u>	<u>(85,596)</u>	<u>161,329</u>	<u>3,087,573</u>
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Change in net position	<u>739,763</u>	<u>1,623,175</u>	<u>648,902</u>	<u>(85,596)</u>	<u>161,329</u>	<u>3,087,573</u>
Total net position - beginning	7,881,684	4,963,422	13,177,025	3,557,649	1,040,205	30,619,985
Total net position - ending	<u>\$ 8,621,447</u>	<u>\$ 6,586,597</u>	<u>\$ 13,825,927</u>	<u>\$ 3,472,053</u>	<u>\$ 1,201,534</u>	<u>\$ 33,707,558</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, 2021

	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	\$ 1,353,933	\$ 1,753,328	\$ 8,461,403	\$ 335,434	\$ 264,298	\$ 12,168,396
Payments to suppliers	(672,930)	(1,554,568)	(7,096,755)	(307,158)	(85,214)	(9,716,625)
Payments to employees	(381,103)	(465,813)	(1,034,149)	(73,236)	(26,700)	(1,981,001)
Net cash provided by operating activities	<u>299,900</u>	<u>(267,053)</u>	<u>330,499</u>	<u>(44,960)</u>	<u>152,384</u>	<u>470,770</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	(823,719)	(2,568,591)	(2,064,095)	(60,296)	(83,769)	(5,600,470)
Receipts from sale of assets	117,500	-	40,548	-	-	158,048
Receipts from Grants	-	1,088,658	-	-	-	1,088,658
Receipts from property rental	-	17,362	-	-	-	17,362
Receipts from impact fees	542,435	443,292	12,650	63,520	-	1,061,897
Receipts from issuance of debt	-	2,402,000	-	-	-	2,402,000
Payments for deferred outflows/inflows and unfunded pension liability	(28,065)	(22,889)	(39,384)	(5,404)	411	(95,331)
Payment on bonds payable and note payable	-	(2,637,931)	-	-	-	(2,637,931)
Interest and fiscal charges paid on bonds and note	-	(72,221)	-	-	-	(72,221)
Net cash provided (used) from capital and related financing activities	<u>(191,849)</u>	<u>(1,350,320)</u>	<u>(2,050,281)</u>	<u>(2,180)</u>	<u>(83,358)</u>	<u>(3,677,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	-
Interest received	13,876	10,940	24,847	2,807	1,877	54,347
Net cash provided (used) from investing activities	<u>13,876</u>	<u>10,940</u>	<u>24,847</u>	<u>2,807</u>	<u>1,877</u>	<u>54,347</u>
Net increase (decrease) in cash and cash equivalents	121,927	(1,606,433)	(1,694,935)	(44,333)	70,903	(3,152,871)
Cash and cash equivalents beginning of year	2,369,633	4,166,192	5,102,489	565,926	346,579	12,550,819
Cash and cash equivalents end of year	<u>\$ 2,491,560</u>	<u>\$ 2,559,759</u>	<u>\$ 3,407,554</u>	<u>\$ 521,593</u>	<u>\$ 417,482</u>	<u>\$ 9,397,948</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	\$ 168,093	\$ 131,645	\$ 570,857	\$ (151,923)	\$ 159,452	\$ 878,124
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	354,066	350,511	538,674	218,861	45,929	1,508,041
Change in assets and liabilities:						
Accounts receivable	(22,362)	(20,433)	(357,659)	(165)	(4,699)	(405,318)
Inventory	(31,543)	-	(952,732)	(2,635)	-	(986,910)
Accounts payable	(149,172)	(751,568)	440,572	(101,612)	(49,463)	(611,243)
Deposits and retainage payable	-	-	48,685	-	-	48,685
Compensated absences	(19,182)	22,792	42,102	(7,486)	1,165	39,391
Gain(Loss) on sale of fixed assets	-	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 299,900</u>	<u>\$ (267,053)</u>	<u>\$ 330,499</u>	<u>\$ (44,960)</u>	<u>\$ 152,384</u>	<u>\$ 470,770</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, 2021

ASSETS	
Cash and cash equivalents	\$ 36,481
Fines receivable	48,659
Total assets	<u>85,140</u>
LIABILITIES	
Due to other governments	85,140
Total liabilities	<u>85,140</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
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUSTICE COURT AGENCY (CUSTODIAL) FUND
FOR THE YEAR ENDED JUNE 30, 2021

ADDITIONS	
Fines collected for other governments	\$ 212,876
Total assets	212,876
DEDUCTIONS	
Fines distributed to other governments	212,876
Total liabilities	212,876
NET POSITION	
Unrestricted	-
Total net position	\$ -

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, 2021

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, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City has no nonmajor governmental funds.

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

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

The City reported the following major proprietary funds:

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

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

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

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

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

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

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 2021, and due November 30, 2021, 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 \$682,243, of which \$675,771 is unearned and deferred to the future period. The remaining \$6,472 is for delinquent property taxes for taxes assessed for calendar year 2021 and prior that remains uncollected.

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

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, 2021

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, 2021

NOTE 2. RECEIVABLES

Receivables at June 30, 2021, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund receivables	\$ 682,243	\$ 216,509	\$ 232,540	\$ 1,131,292
General Fund bad debt reserve	-	-	(874)	(874)
Total receivables	<u>\$ 682,243</u>	<u>\$ 216,509</u>	<u>\$ 231,666</u>	<u>\$ 1,130,418</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 159,062	\$ 159,062
Sewer Fund	-	-	216,242	216,242
Electric Fund	-	-	1,013,941	1,013,941
Irrigation Fund	-	-	45,208	45,208
Storm Water Fund	-	-	25,324	25,324
Less: bad debt reserve	-	-	(10,234)	(10,234)
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,449,543</u>	<u>\$ 1,449,543</u>

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

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

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

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, 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	3,257,322	1,473,570	(578,455)	4,152,437
Total capital assets not being depreciated	<u>4,169,516</u>	<u>1,473,570</u>	<u>(578,455)</u>	<u>5,064,631</u>
Capital assets being depreciated:				
Buildings	7,761,090	60,061	-	7,821,151
Improvements	2,948,734	779,416	-	3,728,150
Machinery and equipment	3,522,200	303,839	(53,898)	3,772,141
Infrastructure	11,068,366	377,938	-	11,446,304
Total capital assets being depreciated	<u>25,300,390</u>	<u>1,521,254</u>	<u>(53,898)</u>	<u>26,767,746</u>
Less accumulated depreciation				
Buildings	(4,928,293)	(304,895)	-	(5,233,188)
Improvements	(1,804,842)	(102,773)	-	(1,907,615)
Machinery and equipment	(2,454,149)	(194,642)	37,256	(2,611,535)
Infrastructure	(6,985,379)	(428,760)	-	(7,414,139)
Total accumulated depreciation	<u>(16,172,663)</u>	<u>(1,031,070)</u>	<u>37,256</u>	<u>(17,166,477)</u>
Total capital assets being depreciated, net	<u>9,127,727</u>	<u>490,184</u>	<u>(16,642)</u>	<u>9,601,269</u>
Governmental activity capital assets, net	<u>\$ 13,297,243</u>	<u>\$ 1,963,754</u>	<u>\$ (595,097)</u>	<u>\$ 14,665,900</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	3,534,737	3,860,275	(943,520)	6,451,492
Total assets not being depreciated	<u>7,341,196</u>	<u>3,860,275</u>	<u>(943,520)</u>	<u>10,257,951</u>
Capital assets being depreciated:				
Buildings	10,514,536	-	-	10,514,536
Improvements	31,614,436	2,002,908	-	33,617,344
Machinery and equipment	4,339,977	680,909	(149,653)	4,871,233
Total capital assets being depreciated	<u>46,468,949</u>	<u>2,683,817</u>	<u>(149,653)</u>	<u>49,003,113</u>
Less accumulated depreciation				
Buildings	(7,384,327)	(376,918)	-	(7,761,245)
Improvements	(20,576,669)	(901,308)	-	(21,477,977)
Machinery and equipment	(2,899,037)	(228,083)	44,816	(3,082,304)
Total accumulated depreciation	<u>(30,860,033)</u>	<u>(1,506,309)</u>	<u>44,816</u>	<u>(32,321,526)</u>
Total capital assets being depreciated, net	<u>15,608,916</u>	<u>1,177,508</u>	<u>(104,837)</u>	<u>16,681,587</u>
Business-type capital assets, net	<u>\$ 22,950,112</u>	<u>\$ 5,037,783</u>	<u>\$ (1,048,357)</u>	<u>\$ 26,939,538</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

Administration	\$ 80,576
Culture, parks and recreation	338,790
Highways and streets	500,893
Shop	961
Cemetery	17,977
Public safety	74,061
Senior citizens	14,659
Community progress	3,153
Total depreciation expense - governmental activities	\$ 1,031,070

Business-type activities:

Water	\$ 351,377
Sewer	351,399
Electric	538,743
Irrigation	218,861
Storm Water	45,929
Total depreciation expense - business-type activities	\$ 1,506,309

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, 2021

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, 2021

NOTE 4. RETIREMENT PLANS (continued)

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

Utah Retirement Systems

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

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

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

	Employer Contributions	Employee Contributions
Noncontributory System	\$ 272,126	N/A
Tier 2 Public Employees System	55,409	\$ -
Tier 2 DC Only System	6,911	N/A
Total Contributions	<u>\$ 334,446</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, 2021, the City reported a net pension asset of \$0 and a net pension liability of \$84,991.

	Measurement Date: December 31, 2020			Dec. 31, 2019	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	Change
Noncontributory System	\$ -	\$ 82,058	0.1599756%	0.1431982%	0.0167774%
Tier 2 Public Employees System	-	2,933	0.0203890%	0.0163876%	0.0040014%
Total Net Pension Asset/Liability	<u>\$ -</u>	<u>\$ 84,991</u>			

The net pension asset and liability were measured as of December 31, 2020, 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, 2021

NOTE 4. RETIREMENT PLANS (continued)

determined by an actuarial valuation as of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset/liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021, the City recognized pension expense of \$138,869.

At June 30, 2021, 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	\$ 112,786	\$ 1,343
Changes in assumptions	3,709	10,841
Net difference between projected and actual earnings on pension plan investments	-	607,767
Changes in proportion and differences between contributions and proportionate share of contributions	71,443	4,912
Contributions subsequent to the measurement date	162,465	-
Total	\$ 350,403	\$ 624,863

\$162,465 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, 2020.

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

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2021	(\$107,075)
2022	(\$31,774)
2023	(\$204,478)
2024	(\$99,899)
2025	\$1,021
Thereafter	\$5,280

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4. RETIREMENT PLANS (continued)

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

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

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

The actuarial assumptions used in the January 1, 2020, valuation was based on the results of an actuarial experience study for the five year period ending December 31, 2019.

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

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

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4. RETIREMENT PLANS (continued)

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

The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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	\$ 1,422,648	\$ 82,058	\$(1,035,525)
Tier 2 Public Employees System	49,345	2,933	(32,572)
	\$ 1,471,993	\$ 84,991	\$(1,068,097)

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

Defined Contribution Saving Plans

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

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4. RETIREMENT PLANS (continued)

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

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

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

	Employee Paid Contributions	Employer Paid Contributions
401(k) Plan	\$90,992	\$86,291
457 Plan	\$18,750	-
Roth IRA Plan	\$11,480	N/A

NOTE 5. LONG-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2021:

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.

	Principal	Hardship Assessment	Total	Imputed Interest Rate
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%
2025	-	-	-	1.30%
	\$ 704,000	\$ 18,369	\$ 722,369	

HYRUM CITY CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5. LONG-TERM OBLIGATIONS (continued)

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 interim loan was paid in full on April 27, 2021, from the proceeds of the USDA loan described below.

On April 27, 2021, the City received an interim loan of \$2,402,000 from the United States Department of Agriculture, 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 April 27, 2061. The City makes monthly payments on the 27th of each month.

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	-	\$ -	\$ 209,038	\$ 210,369	\$ 419,407
Additions	-	-	-	73,321	\$ 73,321
Retirements	-	-	(182,042)	(63,218)	\$ (245,260)
Balance, June 30	\$ -	\$ -	\$ 26,996	\$ 220,472	\$ 247,468
Due within 1 year	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:					
Balance, July 1	\$ 2,402,000	\$ 933,000	\$ 334,343	\$ 459,032	\$ 4,128,375
Additions	2,402,000	-	-	119,629	\$ 2,521,629
Retirements	(2,408,931)	(229,000)	(276,348)	(80,238)	\$ (2,994,517)
Balance, June 30	\$ 2,395,069	\$ 704,000	\$ 57,995	\$ 498,423	\$ 3,655,487
Due within 1 year	\$ 42,014	\$ 232,000	\$ -	\$ -	\$ 274,014

NOTE 6. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2021.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There were no fund balance/net position deficits at June 30, 2021.

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, 2021, the carrying amount of the City deposits was \$2,572,036 and the bank balance was \$2,723,303. Of the bank balance, \$750,000 was covered by federal depository insurance and \$1,973,303 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, 2021

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, 2021 are noted in the following schedule.

The City's investment types and balances at June 30, 2021, are noted below.

<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	\$ 387,879	Level 2
Bank of Utah-Advantage Public Fund	N/A	Not rated	2,623,144	Level 1
Cache Valley Bank Savings	N/A	Not rated	8,026,599	Level 1
Utah Public Treasurer's Investment Fund	less than one year	Not rated	<u>1,195,255</u>	Level 2
Total investments			12,232,877	
Deposits-cash in bank			<u>2,572,036</u>	
Total cash and investments			<u>\$ 14,804,913</u>	
As reported in the financial statements:				
Cash and cash equivalents-primary			\$ 14,380,553	
Restricted cash and cash equivalents			387,879	
Cash and cash equivalents - Fiduciary Funds			<u>36,481</u>	
			<u>\$ 14,804,913</u>	

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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	<u>\$ 1,000,000</u>	General Fund	<u>\$ 1,000,000</u>

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 CORPORTATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
MEASUREMENT DATE OF DECEMBER 31, 2020
JUNE 30, 2021

Last 10 Fiscal Years*

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

*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, 2021**

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%
	2021	\$ 272,126	\$ 272,126	\$ -	\$ 1,473,342	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%
	2021	\$ 55,409	\$ 55,409	\$ -	\$ 351,980	15.74%
Tier 2 Public Employees DC Only Systems*	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	\$ 3,783	\$ 3,783	\$ -	\$ 67,791	5.58%
	2015	\$ 4,902	\$ 4,902	\$ -	\$ 72,951	6.72%
	2016	\$ 5,151	\$ 5,151	\$ -	\$ 76,996	6.69%
	2017	\$ 5,650	\$ 5,650	\$ -	\$ 84,448	6.69%
	2018	\$ 6,821	\$ 6,821	\$ -	\$ 101,959	6.69%
	2019	\$ 7,392	\$ 7,392	\$ -	\$ 111,489	6.63%
	2020	\$ 4,189	\$ 4,189	\$ -	\$ 62,619	6.69%
	2021	\$ 6,911	\$ 6,911	\$ -	\$ 103,304	6.69%

*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 eight years.

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

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

HYRUM CITY CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR FISCAL YEAR ENDED JUNE 30, 2021

Changes in Assumptions:

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

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, 2021

	<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	2,150,000	2,150,000	485,644	(1,664,356)
Investment earnings	5,000	9,000	8,880	(120)
Contributions	-	365,644	425,000	59,356
Total revenues	<u>2,155,000</u>	<u>2,524,644</u>	<u>919,524</u>	<u>(1,605,120)</u>
EXPENDITURES				
Other general government	-	-	-	-
Public safety	269,000	269,000	40,087	228,913
Culture, parks and recreation	2,305,781	3,158,644	1,481,975	1,676,669
Total expenditures	<u>2,574,781</u>	<u>3,427,644</u>	<u>1,522,062</u>	<u>1,905,582</u>
Excess of revenues over expenditures	<u>(419,781)</u>	<u>(903,000)</u>	<u>(602,538)</u>	<u>300,462</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	419,781	478,000	1,000,000	(522,000)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>419,781</u>	<u>478,000</u>	<u>1,000,000</u>	<u>(522,000)</u>
Net change in fund balances	-	(425,000)	397,462	822,462
Fund balances - beginning	<u>1,734,420</u>	<u>1,734,420</u>	<u>1,734,420</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,734,420</u>	<u>\$ 1,309,420</u>	<u>\$ 2,131,882</u>	<u>\$ 822,462</u>

REPORTS AND SCHEDULES
REQUIRED BY
THE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
Hyrum City Corporation
Hyrum, Utah

Report on Compliance for Each Major Federal Program

We have audited Hyrum City Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hyrum City Corporation's major federal programs for the year ended June 30, 2021. Hyrum City Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hyrum City Corporation major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hyrum City Corporation'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 major federal program. However, our audit does not provide a legal determination on Hyrum City Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Hyrum City Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Hyrum City Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hyrum City Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Hyrum City Corporation'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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program that 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 type of compliance requirement of a federal program 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 over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2021, and the related notes to the financial statements, which collectively comprise Hyrum City Corporation's basic financial statements. We issued our report thereon dated November 30, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wiggins) + Co., PC
Brigham City, Utah
November 30, 2021

HYRUM CITY CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass through Grantor Program/Title	Contract Number	CFDA Number	Federal Expenditures/ Disbursements	Major Program
<u>U.S. Department of Agriculture</u>				
Direct:				
Water And Waste Disposal System for Rural Communities		10.760B	1,177,406	X
Water And Waste Disposal System for Rural Communities Loan		10.760E	<u>2,402,000</u>	X
Total U.S. Department of Commerce			<u>3,579,406</u>	
<u>U.S Department of Homeland Security</u>				
Direct:				
Staffing For Adequate Fire and Emergency Response		97.024	<u>10,875</u>	
Total Direct U.S. Department of Housing and Urban Development			<u>10,875</u>	
Total Direct Funding			<u>3,590,281</u>	
<u>U.S. Department of Health and Human Services</u>				
Passed through:				
State of Utah				
Community Service Block Grant - Family Place		93.569	<u>62,805</u>	
Total Passed Through U.S. Department of Health and Human Services			<u>62,805</u>	
<u>U.S. Department of Treasury</u>				
Passed through State of Utah				
Coronavirus Relief Funds (CARES Act)		21.019	<u>720,793</u>	
Total Passed Through U.S. Department of Treasury			<u>720,793</u>	
Total Passed Through Funding			<u>783,598</u>	
Total Expenditures of Federal Awards			<u>\$ 4,373,879</u>	

HYRUM CITY CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weaknesses identified? yes X no
 Significant deficiencies identified
 not considered to be material weaknesses? yes X none reported
 Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? yes X no
 Significant deficiencies identified
 not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with the
 Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	US Department of Agriculture
10.760B	Water and Waste Disposal System for Rural Communities
10.760E	Water and Waste Disposal System for Rural Communities

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

There were two significant deficiencies reported. One involved inventory counts in the enterprise funds. The other was regarding performing timely bank reconciliations. Neither finding affected federal awards or expenditures. There were no material weaknesses or instances of noncompliance noted during the audit that are required to be reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Accordingly, no such matters are reported.

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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	6-8
Status of Prior Year Findings and Recommendations	9-11
Management's Response	12

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, 2021, and the related notes to the financial statements, which collectively comprise Hyrum City Corporation's basic financial statements and have issued our report thereon dated November 30, 2021.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, Recommendations and Responses as items 21-1 and 21-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hyrum City Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses as item 21-3.

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., PC

Brigham City, Utah
November 30, 2021

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, 2021.

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

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Restricted Taxes and Related Revenue
- Fraud Risk Assessment
- Government Fees
- Cash Management
- Public Treasurer's Bond

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, Hyrum City Corporation complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2021.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings, recommendations and responses as item 21-3. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City 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., PC
Brigham City, Utah
November 30, 2021

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCY

21-1 INVENTORY

Condition: Ending inventory was materially misstated.

Criteria:

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

Cause of Condition:

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

Potential effect:

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

Recommendation:

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

Response:

See accompanying letter.

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCY

21-2 TIMELY BANK RECONCILIATIONS

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

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

21-2 TIMELY BANK RECONCILIATIONS (continued)

Criteria:

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

Cause of Condition:

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

Potential effect:

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

Recommendation:

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

Response:

See accompanying letter.

OTHER MATTER -STATE COMPLIANCE

21-3 FRAUD RISK ASSESSMENT

Condition:

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

Criteria:

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

Cause of Condition:

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

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

OTHER MATTER -STATE COMPLIANCE

21-3 FRAUD RISK ASSESSMENT(Continued)

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

Recommendation:

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

Response: See accompanying letter.

HYRUM CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

STATE COMPLIANCE

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.

Status:

Implemented

HYRUM CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

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.

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.

Status: Not Implemented

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.

HYRUM CITY CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

20-3 BUDGETARY COMPLIANCE(Continued)

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.

Status: Implemented

HYRUM CITY CORPORATION
RESPONSES TO CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

INTERNAL CONTROLS – SIGNIFICANT DEFICIENCIES

21-1 INVENTORY

Response:

Items placed in construction in progress will be tracked separately from regular inventory. All spreadsheets will be verified for formula errors and correctness. We hired a part time secretary who is tracking inventory on a regular basis throughout the year.

21-2 TIMELY BANK RECONCILIATIONS

Response:

Bank reconciliations will be completed in a timely manner. This will be done within 30 days after month end. Workloads and priorities will be established and implemented to help accomplish this important task.

OTHER MATTER -STATE COMPLIANCE

21-3 FRAUD RISK ASSESSMENT

Response:

The fraud risk assessment for FY 2021 has been submitted to The State Auditor's office. The fraud risk assessment for FY 2022 will be presented to council and submitted to The State Auditor's office before June 30th.