

# **Hyrum City Corporation**

## **Basic Financial Statements**

For the Year Ended June 30, 2023

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# **HYRUM CITY, UTAH**

60 West Main Street  
Hyrum, Utah 84319

## **Basic Financial Statements**

**Year Ended June 30, 2023**

Mayor: Stephanie Miller

Council Members: Vicky McCombs  
Jared Clawson  
Paul James  
Craig Rasmussen  
Steve Adams

City Administrator (Acting): Stephanie Miller

Prepared by: Todd Perkins, Treasurer

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**HYRUM CITY CORPORATION  
TABLE OF CONTENTS**

	<b>Page(s)</b>
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	1-3
Management’s Discussion and Analysis .....	7-15
<u>Basic Financial Statements</u>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position .....	18
Statement of Activities .....	19
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	21
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	23
Statement of Net Position – Proprietary Funds .....	24
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds .....	26
Statement of Fiduciary Net Position – Custodial Fund .....	27
Statement of Changes in Fiduciary Net Position – Custodial Fund.....	28
Notes to the Basic Financial Statements.....	31-59
<u>Required Supplementary Information</u>	
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund .....	63-64
Schedule of the Proportionate Share of The Net Pension Liability .....	65
Schedule of Contributions.....	66
Notes to Required Supplementary Information .....	67-68
<u>Other Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Capital Projects Fund .....	71
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Reports –	
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> .....	73-74
Report On Compliance and Report on Internal Control Over Compliance as Required By <i>The Utah State Compliance Audit Guide</i> .....	75-77
Schedule of Findings .....	78

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# *FINANCIAL SECTION*

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COMMITTED. EXPERIENCED. TRUSTED.

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**INDEPENDENT AUDITOR’S REPORT**

Honorable Mayor and Members of the City Council  
Hyrum City Corporation  
Hyrum City, Utah

**Report on the Audit of the Financial Statements**

*Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hyrum City Corporation (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

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

*Responsibilities of Management for the Financial Statements*

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15, the budgetary comparison for the general fund on pages 63-64, and pension schedules on pages 65-68 be presented to supplement the basic financial statements.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*H&ME, LLC*

December 6, 2023

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## *MANAGEMENT'S DISCUSSION AND ANALYSIS*

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**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

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As management of Hyrum City, Utah (the City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We believe that this narrative, when read in conjunction with the financial statements, and particularly, the notes to the financial statements, will greatly assist the reader in understanding the finances of the City.

### **Financial Highlights**

#### Government Wide

- The City's total net position increased by \$4,924,822 or 8.50% over the prior year, including the prior period adjustment. Net position of governmental activities increased by \$3,481,135 or 18.31%. Net position of business-type activities increased by \$1,443,687 or 3.71%.
- The City's total net position is made up of primarily capital assets. Generally, capital assets are made up of infrastructure and are not available to meet on-going obligations. Of the total net position of \$62,880,329, \$44,254,090 (70.38%) includes net investment in capital assets; \$3,329,792 (5.30%) in restricted uses and \$15,296,447 (24.33%) in unrestricted uses and is available to meet City obligations.
  - The City's restricted net position increased by \$1,056,757 from last year, due mainly to an increase in restricted ARPA grant funds.
  - The City's unrestricted net position increased by \$503,588 from the prior year, due mainly to an increase in sales tax revenues, as well as an increase in property taxes.
  - Overall, the City's long-term liabilities decreased, excluding net pension liability, by \$457,758 over the prior year, due to scheduled debt payments. As of June 30, 2023, long-term liabilities, excluding net pension liability, for governmental and business-type activities were \$94,767 and \$2,601,688, respectively.

#### Fund Level

- The fund balances in governmental funds increase by \$1,240,715 from \$3,045,750 to \$4,286,465. During the fiscal year, Federal ARPA grant monies were recognized as revenue.
- The proprietary funds had an overall net income before transfers and contributions of \$766,568.

**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

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### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### Government-wide Financial Statements

The *government-wide financial statements*, including the Statement of Net Position and the Statement of Activities, provide readers with a broad overview of the City with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting similar to a private-sector business.

The *Statement of Net Position* presents information on all the City's assets, liabilities, and deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial condition is getting better or worse.

The *Statement of Activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

#### Fund Financial Statements

The fund financial statements provide detailed information about individual funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenses. All of the funds of the City are divided into three classes: governmental funds, proprietary funds, and fiduciary funds.



**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

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**Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund statements for the general fund and the capital projects fund, which are considered to be major funds. When applicable, the nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the *other supplementary information* section of this report. For the year ended June 30, 2023, there were no nonmajor governmental funds.

**Proprietary Funds** are used to account for similar functions presented as *business-type activities* in the government-wide financial statements. The City uses *enterprise funds* to account for its utility operations (water, sewer, electric, irrigation, and storm water operations).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains five individual proprietary funds. When there is more than a single fund, the nonmajor funds are combined into a single aggregated presentation. Individual fund data for nonmajor proprietary funds are provided in the form of combining statements immediately following the notes to the *Required Supplementary Information (RSI)*. Major proprietary funds include the water fund, the sewer fund, the electric fund, and the irrigation fund. The only nonmajor proprietary fund is the storm water fund.

**Fiduciary Funds** are used to account for pass-through monies collected by the City for other individuals or entities. The City uses *fiduciary funds* to account for its justice court fees, typically remitted to other governmental entities.

#### Notes to Financial Statements

The notes provide additional schedules, detail, and information essential for a complete understanding of the financial information provided in the government-wide statements and the fund financial statements. The notes apply to both statement types.

**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* (RSI) concerning budget comparison statements for the general fund, as well as the City's progress in funding its obligation to provide pension benefits to its employees.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains *other supplementary information*, in the form of budget comparison statements for the capital projects fund, which is presented immediately after the notes to the RSI.

**Financial Analysis of Government-wide Statements**

Net Position

Generally, net position over time may offer a measuring tool of the overall financial condition of a government's financial position. The City's combined net position increased over the prior year by \$4,924,822 (8.50%). This indicates that the City's overall financial condition improved over the prior year. The unrestricted net position, which is available for ongoing obligations, increased by \$503,588.

**HYRUM CITY NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 6,318,023	\$ 5,628,754	\$ 17,016,554	\$ 15,413,014	\$ 23,334,577	\$ 21,041,768
Capital assets, net	18,327,984	16,171,662	28,247,416	27,953,705	46,575,400	44,125,367
Net pension asset	-	376,207	-	564,487	-	940,694
<b>Total assets</b>	<b>24,646,007</b>	<b>22,176,623</b>	<b>45,263,970</b>	<b>43,931,206</b>	<b>69,909,977</b>	<b>66,107,829</b>
Total deferred outflows of resources	214,118	166,531	325,239	249,794	539,357	416,325
Current liabilities	1,276,039	2,227,734	2,007,773	1,303,845	3,283,812	3,531,579
Noncurrent liabilities	332,497	233,097	2,962,770	2,921,096	3,295,267	3,154,193
<b>Total liabilities</b>	<b>1,608,536</b>	<b>2,460,831</b>	<b>4,970,543</b>	<b>4,224,941</b>	<b>6,579,079</b>	<b>6,685,772</b>
Total deferred inflows of resources	756,797	1,233,000	233,129	1,014,209	989,926	2,247,209
Net investment in capital assets	18,327,984	16,171,662	25,926,106	24,717,951	44,254,090	40,889,613
Restricted	2,869,640	1,883,215	460,152	389,820	3,329,792	2,273,035
Unrestricted	1,297,168	958,780	13,999,279	13,834,079	15,296,447	14,792,859
<b>Total net position</b>	<b>\$ 22,494,792</b>	<b>\$ 19,013,657</b>	<b>\$ 40,385,537</b>	<b>\$ 38,941,850</b>	<b>\$ 62,880,329</b>	<b>\$ 57,955,507</b>

**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

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Net Position (Continued)

By far, the largest portion of the City's net position of \$44,254,090 (70.38%), reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$3,329,792 (5.30%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,296,447 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$4,924,822. The reasons for this increase are discussed in the following sections for governmental activities and business-type activities.

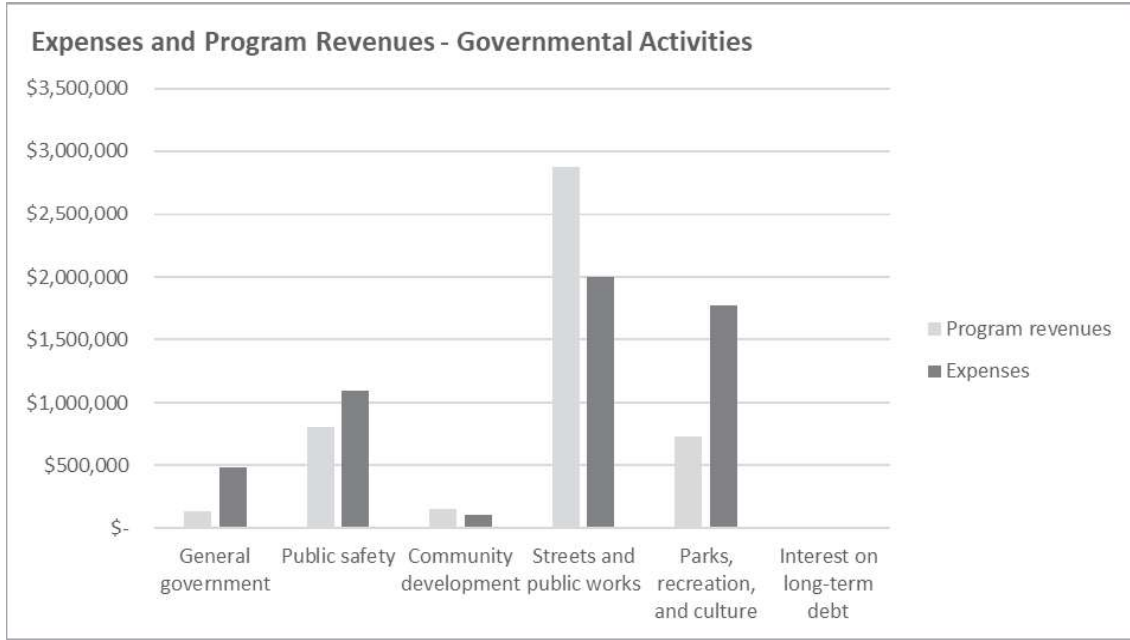
Governmental and Business-Type Activities

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$3,481,135 from the prior fiscal year for an ending balance of \$22,494,792, as of June 30, 2023.

**Business-type Activities.** For the City's business-type activities, net position increased from \$38,941,850 to \$40,385,537, for a total of \$1,443,687.

The table on the following page illustrates the sources of revenues and the expenses for governmental and business-type activities compared to the prior year. It shows to what extent the City's governmental activities relied on taxes and other general revenues to cover all their costs and to what extent the service charges of the business-type funds adequately cover their costs. The business of government is primarily funded by taxes and other general revenues.

**HYRUM CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2023**



**Changes in Net Position**

**HYRUM CITY CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,877,263	\$ 1,935,272	\$ 16,903,175	\$ 13,901,538	\$ 18,780,438	\$ 15,836,810
Operating grants and contributions	163,059	719,921	-	-	163,059	719,921
Capital grants and contributions	2,648,053	595,126	677,119	1,666,091	3,325,172	2,261,217
General Revenues:						
Property taxes	760,277	678,448	-	-	760,277	678,448
Sales and use taxes	2,401,029	2,523,146	-	-	2,401,029	2,523,146
Other taxes	875,065	612,470	493,839	344,231	1,368,904	956,701
Other	224,105	131,928	396,956	51,919	621,061	183,847
<b>Total revenues</b>	<b>8,948,851</b>	<b>7,196,311</b>	<b>18,471,089</b>	<b>15,963,779</b>	<b>27,419,940</b>	<b>23,160,090</b>
<b>Expenses</b>						
General government	486,727	513,279	-	-	486,727	513,279
Public safety	1,099,792	669,633	-	-	1,099,792	669,633
Community development	107,777	98,880	-	-	107,777	98,880
Streets and public works	1,998,986	1,790,752	-	-	1,998,986	1,790,752
Parks, recreation, and culture	1,774,434	1,835,946	-	-	1,774,434	1,835,946
Interest on long-term debt	-	-	42,329	47,526	42,329	47,526
Water	-	-	1,276,318	1,228,660	1,276,318	1,228,660
Sewer	-	-	1,796,833	1,337,480	1,796,833	1,337,480
Electric	-	-	13,379,669	9,332,469	13,379,669	9,332,469
Pressure irrigation	-	-	397,690	335,967	397,690	335,967
Storm water	-	-	134,563	133,571	134,563	133,571
<b>Total Expenses</b>	<b>5,467,716</b>	<b>4,908,490</b>	<b>17,027,402</b>	<b>12,415,673</b>	<b>22,495,118</b>	<b>17,324,163</b>
Increase (decrease) in net position before transfers	3,481,135	2,287,821	1,443,687	3,548,106	4,924,822	5,835,927
Transfers	-	(2,010,032)	-	2,010,032	-	-
<b>Increase in net position</b>	<b>3,481,135</b>	<b>277,789</b>	<b>1,443,687</b>	<b>5,558,138</b>	<b>4,924,822</b>	<b>5,835,927</b>
Net position, beginning (as restated)	19,013,657	18,735,868	38,941,850	33,383,712	57,955,507	52,119,580
<b>Net position, ending</b>	<b>\$ 22,494,792</b>	<b>\$ 19,013,657</b>	<b>\$ 40,385,537</b>	<b>\$ 38,941,850</b>	<b>\$ 62,880,329</b>	<b>\$ 57,955,507</b>

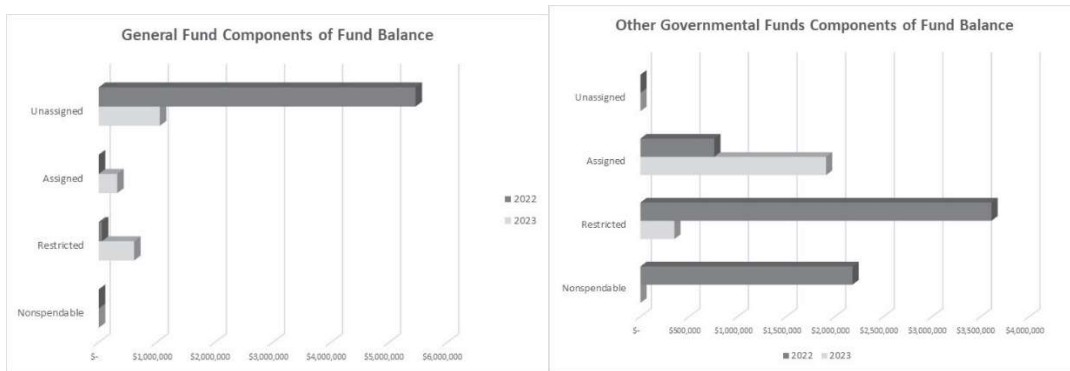
**HYRUM CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended June 30, 2023**

**Financial Analysis of Governmental Funds**

Governmental Funds

The focus of the City's governmental funds is to account for and provide information on near-term inflows, outflows and spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of June 30, 2023, the City's governmental funds reported combined fund balances of \$4,286,465. Approximately 25% of this amount (\$1,051,522) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is 1) restricted for particular purposes (\$959,416), or 2) assigned for particular purposes (\$2,275,527).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,051,522. Total fund balance for the general fund increased \$775,487. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

The Capital Projects Fund is used to account for major capital projects of the City.

**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City maintains several enterprise funds to account for operations that are operated in a manner similar to a private business. Fees and user charges are collected to operate the enterprise. Most of these funds are public utilities.

Operating revenues for all proprietary funds totaled \$17,414,414. This is an increase of 25.39% from the prior year of \$3,525,719. Operating expenses totaled \$16,961,673. This is an increase of 37.14%. Continued monitoring of each utility, including the rates charged, is necessary to ensure operating revenues cover operating expenses, especially as residential growth will require additional resources.

**General Fund Budgetary Highlights**

Original Budget Compared to Final Budget

During the year, there were minor amendments to increase either the original estimated revenues or original budgeted appropriations, and there was a need to make an amendment to reallocate appropriations among departments, when it became clearer which departments would actually be charged for certain expenses. Generally, the movement of the appropriations between departments was not significant.

**Capital Assets and Debt Administration**

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2023, is \$46,575,400 (net of accumulated depreciation). This is a net increase of \$2,665,236.

**HYRUM CITY CAPITAL ASSETS**  
(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,344,000	\$ 912,194	\$ 1,561,738	\$ 1,561,738	\$ 2,905,738	\$ 2,473,932
Construction in Progress	6,808,789	5,837,547	4,206,416	2,534,296	11,015,205	8,371,843
Water Shares	-	-	2,143,608	2,143,608	2,143,608	2,143,608
Buildings	2,623,384	2,284,032	2,106,022	2,376,373	4,729,406	4,660,405
Improvements	1,833,327	1,860,757	1,761,561	1,933,378	3,594,888	3,794,135
Infrastructure	4,354,623	3,951,231	14,269,920	14,895,213	18,624,543	18,846,444
Automobiles, machinery and equipment	1,363,861	1,325,902	2,187,145	2,272,120	3,551,006	3,598,022
Right-to-use asset	-	-	11,006	21,775	11,006	21,775
Total capital assets	<u>\$ 18,327,984</u>	<u>\$ 16,171,663</u>	<u>\$ 28,247,416</u>	<u>\$ 27,738,501</u>	<u>\$ 46,575,400</u>	<u>\$ 43,910,164</u>

Additional information on the City's capital assets can be found in note 5 of this report.

**HYRUM CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended June 30, 2023**

Long-Term Debt: Bonds and Notes Payable

Overall, the City had a net decrease in long-term liabilities in the amount of \$158,342. The City has no general obligation debt. The table below shows the overall debt position of the City for governmental activities and business-type activities, less net pension liability, compared to the prior fiscal year.

	<b>HYRUM CITY OUTSTANDING DEBT</b>					
	<b>OTHER LONG-TERM DEBT</b>					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Loan payable, USDA	\$ -	\$ -	\$ 2,310,304	\$ 2,353,059	\$ 2,310,304	\$ 2,353,059
Lease payable	-	-	11,006	21,775	11,006	21,775
Compensated absences	213,632	233,098	460,911	546,263	674,543	779,361
	<u>213,632</u>	<u>233,098</u>	<u>460,911</u>	<u>546,263</u>	<u>674,543</u>	<u>779,361</u>
Total other long-term debt	<u>\$ 213,632</u>	<u>\$ 233,098</u>	<u>\$ 2,782,221</u>	<u>\$ 2,921,097</u>	<u>\$ 2,995,853</u>	<u>\$ 3,154,195</u>

Additional information on the City's long-term debt can be found in note 7 of this report.

**Conclusion and Economic Factors and Next Year's Budget and Rates**

The economic outlook for Hyrum City remains positive. Though the unemployment rate in Utah decreased during 2023 to 2.1%, unemployment remains well below the national average. Sales tax revenues have continued to experience significant growth for the coming year. Property taxes have stayed constant, with slight increases. Existing revenues have been able to continue to meet the expenditures anticipated. The challenge, of course, will be to continue to provide the critical services to a growing, primarily residential population. However, the economic outlook of the City is very positive and stable. Additional information is provided in the statistical section.

This financial report is designed to provide a general overview of the City's finances. We believe this narrative, read in conjunction with the other financial information included herein, provides a clear understanding of the finances of the City.

Additional information may be obtained by contacting Hyrum City Finance Department at: 60 West Main Street, Hyrum, Utah 84319.

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*BASIC FINANCIAL STATEMENTS*

*Government-Wide Financial Statements*

*Fund Financial Statements*

**HYRUM CITY CORPORATION**  
**Statement of Net Position**  
**June 30, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,205,746	\$ 12,422,849	\$ 13,628,595
Restricted assets - cash and cash equivalents	2,955,568	320,756	3,276,324
Receivables (net of allowance for uncollectibles)	1,996,056	1,682,903	3,678,959
Intergovernmental receivables	160,653	-	160,653
Lease receivable	-	255,548	255,548
Inventories	-	2,173,535	2,173,535
Prepays and deposits	-	5,250	5,250
Intangible assets - power purchase agreements	-	155,713	155,713
Capital assets not being depreciated	8,152,789	7,911,762	16,064,551
Capital assets, net of accumulated depreciation	10,175,195	20,335,654	30,510,849
<b>Total assets</b>	<b>24,646,007</b>	<b>45,263,970</b>	<b>69,909,977</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	214,118	325,239	539,357
<b>LIABILITIES</b>			
Accounts payable	136,491	1,438,420	1,574,911
Accrued liabilities	72,498	110,325	182,823
Developer and other deposits payable	1,067,050	457,568	1,524,618
Accrued interest payable	-	1,460	1,460
Noncurrent liabilities:			
Due within one year:			
Loan, leases, compensated absences	81,231	243,947	325,178
Due in more than one year:			
Loan, leases, compensated absences	132,401	2,538,272	2,670,673
Net pension liability - actuarially funded	118,865	180,551	299,416
<b>Total liabilities</b>	<b>1,608,536</b>	<b>4,970,543</b>	<b>6,579,079</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax related	755,519	-	755,519
Lease related	-	231,189	231,189
Pension related	1,278	1,940	3,218
<b>Total deferred inflows of resources</b>	<b>756,797</b>	<b>233,129</b>	<b>989,926</b>
<b>NET POSITION</b>			
Net investment in capital assets	18,327,984	25,926,106	44,254,090
Restricted for:			
Capital projects - ARPA grant	510,032	139,396	649,428
Capital projects	2,260,224	-	2,260,224
Sanitation services	99,384	-	99,384
Debt service	-	320,756	320,756
Unrestricted	1,297,168	13,999,279	15,296,447
<b>Total net position</b>	<b>\$ 22,494,792</b>	<b>\$ 40,385,537</b>	<b>\$ 62,880,329</b>

**HYRUM CITY CORPORATION**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Functions/Programs:</b>						
<b>Governmental activities</b>						
General government	\$ 486,727	\$ 128,523	\$ -	\$ (354,655)	\$ -	\$ (354,655)
Public safety	1,099,792	343,809	105,877	(300,106)	-	(300,106)
Community development	107,777	155,629	-	47,852	-	47,852
Streets and public works	1,998,986	1,042,325	-	872,791	-	872,791
Parks, recreation, and culture	1,774,434	206,977	57,182	(1,045,223)	-	(1,045,223)
<b>Total governmental activities</b>	<b>5,467,716</b>	<b>1,877,263</b>	<b>163,059</b>	<b>(779,341)</b>	<b>-</b>	<b>(779,341)</b>
<b>Business-type activities</b>						
Water	1,276,318	1,467,414	-	-	436,398	436,398
Sewer	1,838,681	2,180,645	-	-	559,271	559,271
Electric	13,380,150	12,568,204	-	-	(641,900)	(641,900)
Irrigation	397,690	347,391	-	-	(5,835)	(5,835)
Storm water	134,563	339,521	-	-	204,958	204,958
<b>Total business-type activities</b>	<b>17,027,402</b>	<b>16,903,175</b>	<b>-</b>	<b>-</b>	<b>552,892</b>	<b>552,892</b>
<b>General revenue</b>						
General Revenues:						
Sales and use taxes				2,401,029	-	2,401,029
Property taxes				760,277	-	760,277
Franchise taxes				531,390	-	531,390
Mass transit taxes				333,466	-	333,466
Energy taxes				10,209	493,839	504,048
Interest and investment earnings				139,439	379,556	518,995
Payment in lieu of taxes				48,557	-	48,557
Miscellaneous				36,109	17,400	53,509
Total general revenue				4,260,476	890,795	5,151,271
Change in net position				3,481,135	1,443,687	4,924,822
Net position - beginning (as restated)				19,013,657	38,941,850	57,955,507
Net position - ending				\$ 22,494,792	\$ 40,385,537	\$ 62,880,329

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

**HYRUM CITY CORPORATION**  
**Balance Sheet – Governmental Funds**  
**June 30, 2023**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,205,746	\$ -	\$ 1,205,746
Cash and cash equivalents, restricted	671,277	2,284,291	2,955,568
Receivables (net of allowance for uncollectibles):			
Property taxes	793,258	-	793,258
Sales and use taxes	573,064	-	573,064
Franchise taxes	44,422	-	44,422
Accounts	585,312	-	585,312
Intergovernmental receivables	160,653	-	160,653
<b>Total assets</b>	<b>\$ 4,033,732</b>	<b>\$ 2,284,291</b>	<b>\$ 6,318,023</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 112,424	\$ 24,067	\$ 136,491
Developer and other deposits payable	1,067,050	-	1,067,050
Accrued liabilities	72,498	-	72,498
<b>Total liabilities</b>	<b>1,251,972</b>	<b>24,067</b>	<b>1,276,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	755,519	-	755,519
<b>FUND BALANCES</b>			
<b>Restricted:</b>			
Construction projects - public works	510,032	-	510,032
Public safety	-	350,000	350,000
Sanitation services	99,384	-	99,384
<b>Assigned:</b>			
Culture, parks, and recreation	46,312	-	46,312
Public safety	318,991	-	318,991
Construction projects - culture, parks, and recreation	-	1,910,224	1,910,224
<b>Unassigned</b>	<b>1,051,522</b>	<b>-</b>	<b>1,051,522</b>
<b>Total fund balances</b>	<b>2,026,241</b>	<b>2,260,224</b>	<b>4,286,465</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,033,732</b>	<b>\$ 2,284,291</b>	<b>\$ 6,318,023</b>

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

**HYRUM CITY CORPORATION**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2023**

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

Total fund balances - governmental funds	\$	4,286,465
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Capital assets of \$37,627,901, net of accumulated depreciation of \$19,299,917, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	1,344,000	
Construction in progress		6,808,789	
Infrastructure, net		4,354,623	
Buildings, net		2,623,384	
Improvements, net		1,833,327	
Automobiles, machinery and equipment, net		1,363,861	18,327,984

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (URS pension) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position. In addition, the net pension asset is not available to pay for current period expenditures and, therefore, are not reported in the funds.

Net pension liability		(118,865)	
Deferred outflows of resources, pension related		214,118	
Deferred inflows of resources, pension related		(1,278)	93,975

Long term liabilities that pertain to governmental funds, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities.

Compensated absences		(213,632)	(213,632)
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Net position of governmental activities	\$	22,494,792
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The accompanying notes are an integral part of these financial statements.

**HYRUM CITY CORPORATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Sales and use taxes	\$ 2,401,029	\$ -	\$ 2,401,029
Property taxes	760,277	-	760,277
Energy sales taxes	10,209	-	10,209
Mass transit taxes	333,466	-	333,466
Franchise taxes	531,390	-	531,390
Licenses and permits	107,331	-	107,331
Intergovernmental	2,184,464	-	2,184,464
Charges for services	1,576,824	-	1,576,824
Fines and forfeitures	131,303	-	131,303
Lease and rent revenue	61,805	-	61,805
Investment earnings, net	108,754	30,685	139,439
Special assessments - impact fees	248,007	-	248,007
Payments in lieu of taxes	48,557	-	48,557
Donations	28,641	350,000	378,641
Miscellaneous	36,109	-	36,109
<b>Total revenues</b>	<b>8,568,166</b>	<b>380,685</b>	<b>8,948,851</b>
<b>EXPENDITURES</b>			
Current:			
General government	487,815	-	487,815
Public safety	644,467	-	644,467
Community development	113,656	-	113,656
Streets and public Works	1,551,951	-	1,551,951
Parks, recreation and culture	1,623,589	-	1,623,589
Capital outlay	1,871,201	1,415,457	3,286,658
<b>Total expenditures</b>	<b>6,292,679</b>	<b>1,415,457</b>	<b>7,708,136</b>
Excess (deficiency) of revenues over expenditures	2,275,487	(1,034,772)	1,240,715
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	1,500,000	1,500,000
Transfers Out	(1,500,000)	-	(1,500,000)
<b>Total other financing sources (uses)</b>	<b>(1,500,000)</b>	<b>1,500,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>775,487</b>	<b>465,228</b>	<b>1,240,715</b>
Fund balances, beginning (as restated)	1,250,754	1,794,996	3,045,750
<b>Fund balances, ending</b>	<b>\$ 2,026,241</b>	<b>\$ 2,260,224</b>	<b>\$ 4,286,465</b>

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

**HYRUM CITY CORPORATION**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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

Net change in fund balances - governmental funds \$ 1,240,715

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial cost of \$4,000 or more are capitalized and the cost is allocated over the asset's estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$ 3,286,658	
Depreciation expense	<u>(1,130,337)</u>	2,156,321

Expenses are recognized in the governmental funds when paid or due; however, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. These adjustments reflect the changes due to compensated absences and pension benefits.

Compensated absences	19,466	
Changes in pension liabilities and related deferred outflows and inflows of resources	<u>64,633</u>	<u>84,099</u>

Change in net position of governmental activities		<u><u>\$ 3,481,135</u></u>
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The accompanying notes are an integral part of these financial statements.

**HYRUM CITY CORPORATION**  
**Statement of Net Position – Proprietary Funds**  
**June 30, 2023**

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Irrigation	Nonmajor Fund	
					Storm Water	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,480,483	\$ 3,847,990	\$ 3,400,235	\$ 848,236	\$ 845,905	\$ 12,422,849
Cash and cash equivalents, restricted	-	320,756	-	-	-	320,756
Accounts receivable, net						
Utility customers	156,938	261,912	1,183,400	40,176	40,477	1,682,903
Lease	-	255,548	-	-	-	255,548
Inventories	59,304	-	2,108,262	5,969	-	2,173,535
Total current assets	3,696,725	4,686,206	6,691,897	894,381	886,382	16,855,591
Noncurrent assets:						
Deposits	2,250	3,000	-	-	-	5,250
Intangible assets - power purchase agreements	-	-	155,713	-	-	155,713
Capital assets:						
Land	23,411	587,937	823,440	86,384	40,566	1,561,738
Water shares	984,731	-	-	1,158,877	-	2,143,608
Construction in progress	548,869	267,139	3,369,137	795	20,476	4,206,416
Right to use assets	-	-	32,311	-	-	32,311
Buildings and improvements	440,702	-	1,494,900	-	-	1,935,602
Infrastructure	11,760,403	17,369,045	9,275,988	6,869,737	1,072,724	46,347,897
Automobiles, machinery and equipment	2,164,634	430,425	2,921,075	146,095	225,245	5,887,474
Less: accumulated depreciation	(9,567,840)	(11,334,379)	(6,987,983)	(5,401,692)	(575,736)	(33,867,630)
Total capital assets, net	6,354,910	7,320,167	10,928,868	2,860,196	783,275	28,247,416
Total noncurrent assets	6,357,160	7,323,167	11,084,581	2,860,196	783,275	28,408,379
Total assets	10,053,885	12,009,373	17,776,478	3,754,577	1,669,657	45,263,970
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related	52,904	84,054	174,364	9,398	4,519	325,239
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	182,926	66,579	1,154,627	13,872	20,416	1,438,420
Accrued liabilities	12,598	20,841	74,113	1,782	991	110,325
Compensated absences	37,197	39,577	101,168	6,397	5,092	189,431
Customer deposits	-	-	457,568	-	-	457,568
Accrued interest payable	-	1,460	-	-	-	1,460
Loan payable, current	-	43,510	-	-	-	43,510
Lease payable, current	-	-	11,006	-	-	11,006
Total current liabilities	232,721	171,967	1,798,482	22,051	26,499	2,251,720
Noncurrent liabilities:						
Compensated absences	57,218	56,664	140,478	9,209	7,909	271,478
Loan payable	-	2,266,794	-	-	-	2,266,794
Net pension liability	29,369	46,661	96,796	5,217	2,508	180,551
Total noncurrent liabilities	86,587	2,370,119	237,274	14,426	10,417	2,718,823
Total liabilities	319,308	2,542,086	2,035,756	36,477	36,916	4,970,543
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related	316	501	1,040	56	27	1,940
Lease related	-	231,189	-	-	-	231,189
Total deferred outflows of resources	316	231,690	1,040	56	27	233,129
<b>NET POSITION</b>						
Net investment in capital assets	6,354,910	5,009,863	10,917,862	2,860,196	783,275	25,926,106
Restricted for debt service	-	320,756	-	-	-	320,756
Restricted for capital projects	-	139,396	-	-	-	139,396
Unrestricted	3,432,255	3,849,636	4,996,184	867,246	853,958	13,999,279
Total net position	9,787,165	9,319,651	15,914,046	3,727,442	1,637,233	40,385,537
<b>Total liabilities, deferred inflows of resources, and net position</b>						
	\$ 10,106,789	\$ 12,093,427	\$ 17,950,842	\$ 3,763,975	\$ 1,674,176	\$ 45,589,209

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



**HYRUM CITY CORPORATION**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2023**

**Business-type Activities - Enterprise Funds**

	Water	Sewer	Electric	Irrigation	Nonmajor Fund	Total
					Storm Water	
<b>OPERATING REVENUES</b>						
Charges for services:						
Metered sales	\$ 1,426,286	\$ 2,163,601	\$ 12,136,177	\$ 347,391	\$ 326,621	\$ 16,400,076
Connection and service fees	41,128	4,200	432,027	-	12,900	490,255
Energy use taxes	-	-	493,839	-	-	493,839
Lease revenue	-	12,844	-	-	-	12,844
Miscellaneous	6,523	3,441	300	6,808	328	17,400
Total operating revenues	1,473,937	2,184,086	13,062,343	354,199	339,849	17,414,414
<b>OPERATING EXPENSES</b>						
Personnel services	363,621	601,088	1,210,825	64,197	30,269	2,270,000
Office and administrative	48,500	367,320	166,193	65,858	23,401	671,272
Purchase of power	-	-	9,719,117	-	-	9,719,117
General operating	139,689	94,989	911,577	96,258	4,808	1,247,321
Repairs and maintenance	298,512	201,734	737,819	41,789	19,713	1,299,567
Depreciation and amortization	425,996	531,702	610,738	129,588	56,372	1,754,396
Total operating expenses	1,276,318	1,796,833	13,356,269	397,690	134,563	16,961,673
Operating income (loss)	197,619	387,253	(293,926)	(43,491)	205,286	452,741
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest income	112,205	135,203	81,117	26,492	24,539	379,556
Loss on disposal of assets	-	-	(23,400)	-	-	(23,400)
Interest expense	-	(41,848)	(481)	-	-	(42,329)
Total nonoperating revenues (expenses)	112,205	93,355	57,236	26,492	24,539	313,827
Income (loss) before contributions and transfers	309,824	480,608	(236,690)	(16,999)	229,825	766,568
Capital contributions - impact fees	245,302	217,307	170,046	44,464	-	677,119
Transfers in	-	-	-	63,009	-	63,009
Transfers out	(63,009)	-	-	-	-	(63,009)
Change in net position	492,117	697,915	(66,644)	90,474	229,825	1,443,687
Total net position, beginning	9,295,048	8,621,736	15,980,690	3,636,968	1,407,408	38,941,850
Total net position, ending	\$ 9,787,165	\$ 9,319,651	\$ 15,914,046	\$ 3,727,442	\$ 1,637,233	\$ 40,385,537

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

**HYRUM CITY CORPORATION, UTAH**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended June 30, 2023**

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Irrigation	Nonmajor Fund	Total
					Storm Water	
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 1,478,370	\$ 2,161,749	\$ 13,113,537	\$ 357,493	\$ 328,133	\$ 17,439,282
Payments to suppliers	(392,929)	(610,866)	(11,047,955)	(193,934)	(30,449)	(12,276,133)
Payments to employees	(364,797)	(694,050)	(1,201,717)	(67,186)	(28,764)	(2,356,514)
<b>Net cash provided by operating activities</b>	<b>720,644</b>	<b>856,833</b>	<b>863,865</b>	<b>96,373</b>	<b>268,920</b>	<b>2,806,635</b>
<b>Net cash from noncapital financing activities</b>	-	-	-	-	-	-
<b>Cash flows from capital and related financing activities</b>						
Impact fees received	245,302	217,307	170,046	44,464	-	677,119
Capital grants	(63,009)	-	-	-	-	(63,009)
Aquisition of capital assets	(611,790)	(359,950)	(1,054,689)	(74,996)	(62,786)	(2,164,211)
Principal paid on capital debt	-	(42,756)	(10,769)	-	-	(53,525)
Interest paid on capital debt	-	(41,848)	(481)	-	-	(42,329)
<b>Net cash used by capital and related financing activities</b>	<b>(429,497)</b>	<b>(227,247)</b>	<b>(895,893)</b>	<b>(30,532)</b>	<b>(62,786)</b>	<b>(1,645,955)</b>
<b>Cash flows from investing activities</b>						
Interest received	112,205	135,203	81,117	26,492	24,539	379,556
<b>Net increase in cash and cash equivalents</b>	<b>403,352</b>	<b>764,789</b>	<b>49,089</b>	<b>92,333</b>	<b>230,673</b>	<b>1,540,236</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,077,131</b>	<b>3,403,957</b>	<b>3,351,146</b>	<b>755,903</b>	<b>615,232</b>	<b>11,203,369</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,480,483</b>	<b>\$ 4,168,746</b>	<b>\$ 3,400,235</b>	<b>\$ 848,236</b>	<b>\$ 845,905</b>	<b>\$ 12,743,605</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 197,619	\$ 387,253	\$ (293,926)	\$ (43,491)	\$ 205,286	\$ 452,741
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	425,996	531,702	610,738	129,588	56,372	1,754,396
Net pension adjustment	(16,604)	(38,711)	(52,275)	(2,656)	(1,241)	(111,487)
Changes in assets and liabilities:						
Accounts receivable	6,683	(22,337)	51,194	3,294	(11,716)	27,118
Lease receivable	-	11,461	-	-	-	11,461
Inventories	8,641	-	48,750	(3,561)	-	53,830
Prepaid expenses	2,250	-	-	-	-	2,250
Accounts payable	82,881	40,707	407,990	13,532	17,473	562,583
Accrued expenses	12,598	21,850	74,113	1,782	991	111,334
Deposits	(2,250)	-	30,011	-	-	27,761
Compensated absences	2,830	(75,092)	(12,730)	(2,115)	1,755	(85,352)
<b>Net cash provided by operating activities</b>	<b>\$ 720,644</b>	<b>\$ 856,833</b>	<b>\$ 863,865</b>	<b>\$ 96,373</b>	<b>\$ 268,920</b>	<b>\$ 2,806,635</b>
<b>Noncash investing, capital and financing activities</b>						
Transfer of capital assets	\$ (63,009)	\$ -	\$ -	\$ 63,009	\$ -	\$ -

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

**HYRUM CITY CORPORATION, UTAH**  
**Statement of Fiduciary Net Position – Custodial Fund**  
**June 30, 2023**

	<u>Justice Court</u>
<b>ASSETS</b>	
Cash and cash equivalents, restricted	\$ 7,372
Accounts receivable - fines	<u>117,138</u>
Total assets	<u>\$ 124,510</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 124,510</u>

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

**HYRUM CITY CORPORATION, UTAH**  
**Statement of Changes in Fiduciary Net Position – Custodial Fund**  
**For the Year Ended June 30, 2023**

	<u>Justice Court</u>
<b>ADDITIONS</b>	
Fines collected	<u>\$ 223,583</u>
<b>DEDUCTIONS</b>	
Fines distributed	<u>223,583</u>
Net change	<u><u>\$ -</u></u>

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

NOTES TO THE  
BASIC FINANCIAL STATEMENTS



**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

The basic financial statements of Hyrum City Corporation (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

The City was settled in 1860. The City operates under a mayor-council form of government, with an appointed city manager. The mayor and the five City Council members are elected at large, with staggered terms. The City provides the following services: public safety (police, fire and emergency response, and animal control), public utilities (water, sewer, electric, irrigation, and storm water), streets, library, parks, recreation, cemetery, public works, planning and zoning, code enforcement and general administrative services.

*Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the City and its component units. 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 and charges for support.

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

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

The City has a total of eight funds, including two governmental funds, five proprietary funds, and one fiduciary fund.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports the following major enterprise funds:

Water Fund accounts for the activities of the City's water operations, both culinary and secondary water systems.

Sewer Fund accounts for the activities of the City's sewer water operations.

Electric Fund accounts for the activities of the City's power operations.

Irrigation Fund accounts for the activities of the City's pressurized irrigation operations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds or advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.



**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide and proprietary fund 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 governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including any lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, and post-employment benefits are recognized later, based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, when applicable, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases, when applicable, are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for each of the funds presented.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year.

*Assets, Liabilities, Deferred Inflows and Outflows of Resources and Equity*

Cash, Cash Equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Public Treasurers' Investment Fund (PTIF) is considered a cash equivalent since it is readily accessible by the City.

Investments

State of Utah statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, and repurchase agreements, as well as the PTIF. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

Property taxes are recognized when they are measurable and available. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due on November 30 of the same calendar year. City 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 and are, therefore, recorded as unavailable revenue.

Inventories and Prepaid Items

Inventories are valued at cost using the replacement value method. The costs of business-type fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets of the City are tangible and intangible assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of two years.

As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed later in these footnotes). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets, such as developer contributions, are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Land, water shares, and construction in progress are not depreciated. The other tangible and intangible property, equipment, the right to use leased equipment (when applicable), and infrastructure of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	10 to 40 years
Improvements other than buildings	5 to 40 years
Infrastructure	20 to 40 years
Vehicles, machinery and equipment	5 to 20 years

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave, and associated employee-related costs when earned (or estimated to be earned) by the employee. Applicable payroll taxes are included in the calculation.

For reporting purposes, the City's proprietary funds report the amounts accrued for all employees as a liability, while the governmental fund financial statements only report a liability for earned compensated absences for terminated employees. The governmental funds liability balance for all employees is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Pensions

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

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts related to pension. The deferred amounts related to pension is the difference between estimated and actual investment earnings, changes in actuarial assumptions, and other pension related changes.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources (Continued)

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to pensions, leases, and property taxes.

Long-term Liabilities

The City reports long-term liabilities at face value in the applicable governmental activities, or business-type activities or Statement of Net Position. Certain other governmental activities liabilities not expected to be financed with current available financial resources are also reported in the Statement of Net Position. Long-term liabilities and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Equity

*Fund balance*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provide reporting categories for fund balance in governmental funds. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The fund balance may be classified as follows:

- Nonspendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use through an ordinance or resolution.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

- Assigned fund balance – Fund balances are reported as assigned when the City Council intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

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, unless City Council has provided otherwise in its commitment or assignment actions.

*Net Position*

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

- Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Leases*

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, which establishes criteria for identifying and properly reporting leases for all state and local governments. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Leases (Continued)*

Lessee: The City has a lease agreement with a financial institution to acquire certain heavy equipment. Management has determined that these agreements meet the requirements herein. When applicable, the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

When applicable, at the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets (as right-to-use assets) and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: On January 1, 2014, the City entered into four lease agreements as the lessor. Three of the agreements formally expired during 2018, at which time, the agreements were informally extended 20 additional years. The fourth agreement currently has three 5-year renewal terms, ending in 2033. All four agreements were calculated using a 28-year period. The lease receivable for each is measured at the present value of the future minimum rent payment expected during the lease term, at a discount rate of 2.21%, which is the federal funds rate as of June 30, 2022.

For the year ended June 30, 2023, the City recognized \$12,844 in lease revenue and \$5,109 in related interest revenue.

- The first lease is for the use of 11.94 acres. Under the agreement, the entity pays the City \$1,504 per year.
- The second lease is for the use of 50.71 acres. Under the agreement, the entity pays the City \$7,038 per year.
- The third lease is for the use of 50 acres. Under the agreement, the entity pays the City \$6,300 per year.
- The fourth lease is for the use of 20 acres. Under the agreement, the entity pays the City \$2,520 per year.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Interfund Transactions*

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's enterprise functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures and expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as revenues in the fund that is reimbursed.

*Program Revenues*

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including developer impact fees) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Restricted Net Position*

The following fund balances or net position are considered restricted:

- Capital projects – restricted for use in City projects for capital purposes.
- Debt service – Debt holders require certain funds be held and restricted for use to repay the debts.
- ARPA Grant – The City notified the US Treasury Department that proceeds will be spent on public utility infrastructure.
- Sanitation services – Excess fees collected for services required to be used for the same purpose.

When both restricted and unrestricted net position are available for use, the City's policy is to use restricted net position first, then unrestricted as needed.

*Change in Accounting Principles*

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which establishes criteria for identifying and properly reporting SBITAs for all state and local governments. To the extent relevant, the standards are based on the standards established in Statement No. 87, *Leases*.

The City has adopted this standard for the fiscal year ended June 30, 2023. However, an in-depth analysis of the City's agreements found no SBITAs which are subject to GASB 96.



**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

2. DEPOSITS AND INVESTMENTS

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Kaysville City funds in a qualified depository. The Act defines 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 State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, certified investment advisors, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers’ Investment Fund. Investments in pooled accounts are stated at fair value.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

As of June 30, 2023, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years) Less than 1</u>
<u>Cash Equivalent</u>		
Utah Public Treasurer's Investment Fund (PTIF)	\$ 2,876,874	\$ 2,876,874
	<u>\$ 2,876,874</u>	<u>\$ 2,876,874</u>

*Fair Value of Investments*

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

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the City can access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgement. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations,
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and "brokered" or securitized certificates of deposit; and,
- Level 3: Valuations based on input that are unobservable and significant to the overall fair value measurement.

As of June 30, 2023, The City had the following quality rating, each with a recurring fair value measurement of Level 2:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Rating Unrated</u>
<u>Cash Equivalent</u>		
Utah Public Treasurer's Investment Fund (PTIF)	\$ 2,876,874	\$ 2,876,874
	<u>\$ 2,876,874</u>	<u>\$ 2,876,874</u>

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

*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 fair value loss arising from increasing interest rates to comply with the State’s Money Management Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

*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 its exposure to credit risk is to comply with the State’s Money Management Act as previously discussed. The PTIF is not registered with the SEC as an investment company, and it is also unrated.

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City’s investment in the Utah Public Treasurers’ Investment Fund has no concentration of credit risk.

As of June 30, 2023, the City does not hold more than 10 percent of total investments in any single security concentration other than U.S. Government Treasuries and Agencies.

*Custodial credit risk* – Custodial credit 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 or collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk. All investments other than bank deposits or funds invested in the state treasurer’s fund are to be held by a third party with securities delivered on a delivery vs. purchase basis. As of June 30, 2023, the City safe kept all investments with a custodian counterparty and all investments which were held by the counterparty’s trust department or agent are registered in the City’s name. Throughout the year the City’s bank balance may fluctuate and there is a credit risk when deposits are above the covered FDIC limits. As of June 30, 2023, \$14,513,377 of the City’s bank balances of \$15,263,377 (which excludes outstanding checks and deposits) was uninsured and uncollateralized.

For an investment, this 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 or collateral securities that are in the possession of an outside party. The City’s investment in the Utah Public Treasurers’ Investment Fund and Moreton Asset Management has no custodial credit risk.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Components of cash, cash equivalents, and investments (including interest earning deposits) as of June 30, 2023, are as follows:

Cash and cash equivalents on hand and on deposit:	
Cash on hand	\$ 400
Cash on deposit and money market	14,027,645
PTIF accounts	<u>2,876,874</u>
	<u>\$ 16,904,919</u>

Cash, cash equivalents, and investments are included in the accompanying combined statement of net position as follows as of June 30, 2023:

Cash and cash equivalents	\$ 13,628,595
Cash and cash equivalents, restricted	<u>3,276,324</u>
Total	<u>\$ 16,904,919</u>

3. ACCOUNTS RECEIVABLE

Receivables as of the fiscal year end, including the applicable allowances for uncollectible accounts, are as follows:

*Governmental Funds*

	General
Receivables:	
Property taxes	\$ 793,258
Sales and use taxes	573,064
Other taxes	44,422
Accounts	<u>586,186</u>
Gross receivables	1,996,930
Less: allowance for uncollectibles	<u>(874)</u>
Net total governmental receivables	<u>\$ 1,996,056</u>

*Business-type Funds*

	Water	Sewer	Electric	Irrigation	Nonmajor Enterprise	Total
Receivables:						
Utility customers	\$ 159,396	\$ 262,771	\$ 1,189,870	\$ 40,556	\$ 40,544	\$ 1,693,137
Lease	-	255,548	-	-	-	255,548
Gross receivables	159,396	518,319	1,189,870	40,556	40,544	1,948,685
Less: allowance for uncollectibles	<u>(2,458)</u>	<u>(859)</u>	<u>(6,470)</u>	<u>(380)</u>	<u>(67)</u>	<u>(10,234)</u>
Net total business-type receivables	<u>\$ 156,938</u>	<u>\$ 517,460</u>	<u>\$ 1,183,400</u>	<u>\$ 40,176</u>	<u>\$ 40,477</u>	<u>\$ 1,938,451</u>

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

4. INTERFUND ACTIVITY

	Transfers in:		
	Governmental funds	Enterprise fund	Total
	Capital Projects Fund	Irrigation Fund	
Transfers out:			
General fund	\$ 1,500,000	\$ -	\$ 1,500,000
Water utility enterprise fund	-	63,009	63,009
	<u>\$ 1,500,000</u>	<u>\$ 63,009</u>	<u>\$ 1,563,009</u>

The transfers resulted from the normal course of the City's operations. Often, funds are received in each fund, but those funds are used for a purpose in which the expenditures are made in another fund.

5. CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2023, was as follows:

	07/01/22	Increases	Transfers and Decreases	06/30/23
Capital assets, not depreciated:				
Land	\$ 912,194	\$ 431,806	\$ -	\$ 1,344,000
Construction in progress	5,837,547	1,868,348	(897,106)	6,808,789
Total capital assets, not depreciated	<u>6,749,741</u>	<u>2,300,154</u>	<u>(897,106)</u>	<u>8,152,789</u>
Capital assets, depreciated:				
Buildings	7,821,151	8,395	653,230	8,482,776
Improvements	3,907,725	114,589	-	4,022,314
Infrastructure	11,802,924	601,798	243,876	12,648,598
Automobiles, machinery and equipment	4,059,702	261,722	-	4,321,424
Total capital assets, depreciated	<u>27,591,502</u>	<u>986,504</u>	<u>897,106</u>	<u>29,475,112</u>
Accumulated depreciation:				
Buildings	(5,537,119)	(322,273)	-	(5,859,392)
Improvements	(2,046,968)	(142,019)	-	(2,188,987)
Infrastructure	(7,851,693)	(442,282)	-	(8,293,975)
Automobiles, machinery and equipment	(2,733,800)	(223,763)	-	(2,957,563)
Total accumulated depreciation	<u>(18,169,580)</u>	<u>(1,130,337)</u>	<u>-</u>	<u>(19,299,917)</u>
Total capital assets, depreciated (net)	<u>9,421,922</u>	<u>(143,833)</u>	<u>897,106</u>	<u>10,175,195</u>
Net governmental capital assets	<u>\$ 16,171,663</u>	<u>\$ 2,156,321</u>	<u>\$ -</u>	<u>\$ 18,327,984</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 20,215
Public safety	461,382
Highways and public improvements	456,564
Parks, recreation, and public property	192,176
Total depreciation expense - governmental activities	<u>\$ 1,130,337</u>

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity in the business-type activities for the year ended June 30, 2023, was as follows:

	07/01/22	Increases	Transfers and Decreases	06/30/23
Capital assets, not depreciated:				
Land	\$ 1,561,738	\$ -	\$ -	\$ 1,561,738
Water shares	2,143,608	-	-	2,143,608
Construction in progress	2,534,296	1,752,544	(80,424)	4,206,416
Total capital assets, not depreciated	6,239,642	1,752,544	(80,424)	7,911,762
Capital assets, depreciated:				
Buildings	10,514,536	103,497	-	10,618,033
Improvements	6,105,399	21,994	-	6,127,393
Infrastructure	31,381,158	99,891	57,024	31,538,073
Automobiles, machinery and equipment	5,638,180	249,294	-	5,887,474
Right-to-use asset	32,311	-	-	32,311
Total capital assets, depreciated	53,671,584	474,676	57,024	54,203,284
Accumulated depreciation:				
Buildings	(8,138,163)	(373,848)	-	(8,512,011)
Improvements	(4,172,021)	(193,811)	-	(4,365,832)
Infrastructure	(16,485,945)	(782,208)	-	(17,268,153)
Automobiles, machinery and equipment	(3,366,060)	(334,269)	-	(3,700,329)
Right-to-use asset	(10,536)	(10,769)	-	(21,305)
Total accumulated depreciation	(32,172,725)	(1,694,905)	-	(33,867,630)
Total capital assets, depreciated (net)	21,498,859	(1,220,229)	57,024	20,335,654
Net business-type capital assets	\$ 27,738,501	\$ 532,315	\$ (23,400)	\$ 28,247,416

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 425,996
Sewer	531,702
Electric	551,247
Sanitation	129,588
Storm Water	56,372
Total depreciation expense - business-type activities	\$ 1,694,905

In previous financial statements, the City did not include right-to-use assets within capital assets and the San Juan and Payson Electric purchase agreements were included within capital assets. As of June 30, 2023, the City included right-to-use assets (\$32,311 less accumulated amortization of \$10,536) and excluded purchase agreements (\$1,885,842 less accumulated amortization of \$1,670,638) in the above table.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

6. DEPOSITS

General Fund - Deposits in the general fund as of June 30, 2023, are as follows:

Builders' deposits	667,470
Parks and public properties	2,650
Excavation deposits	396,930
Total	\$ 1,067,050

Enterprise Funds – Electric utility deposits are recorded in the electric utility fund. As of June 30, 2023, deposits are as follows:

Electric utility customer deposits	\$ 457,568
Total	\$ 457,568

7. LONG-TERM DEBT

Loan Payable

*Governmental Activities.* As of June 30, 2023, the City did not have any loans payable.

*Business-Type Activities.* As of June 30, 2023, the business-type activities had the following loan payable. On April 27, 2021, the City received a loan payable of \$2,402,000 from the United States Department of Agriculture, to finance the construction of a wastewater treatment plant. The interest rate is fixed at 1.75%. The loan is to be repaid from sewer sales from the sewer utility fund. The loan matures April 27, 2061. The City makes monthly payments on the 27<sup>th</sup> of each month. The following table shows the payments and interest:

	Principal	Interest	Totals
2024	\$ 43,510	\$ 40,082	\$ 83,592
2025	44,277	39,315	83,592
2026	45,060	38,532	83,592
2027	45,854	37,738	83,592
2028	42,742	33,884	76,626
2029 - 2033	249,871	175,055	424,926
2034 - 2038	268,425	149,535	417,960
2039 - 2043	292,951	125,009	417,960
2044 - 2048	319,726	98,234	417,960
2049 - 2053	348,932	69,028	417,960
2054 - 2058	380,814	37,146	417,960
2059 - 2061	228,142	5,801	233,943
	\$ 2,310,304	\$ 849,359	\$ 3,159,663

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

7. LONG-TERM DEBT (CONTINUED)

Lease Payable

The City entered into a three-year lease agreement to acquire heavy equipment. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 11,006	\$ 244	\$ 11,250
	<u>\$ 11,006</u>	<u>\$ 244</u>	<u>\$ 11,250</u>

Compensated Absences

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

Total long-term liabilities of the City, less net pension liability are as follows:

*Governmental Activities*

	<u>06/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/23</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Other long-term liabilities:					
Compensated absences	\$ 233,098	\$ 76,836	\$ (96,302)	\$ 213,632	\$ 81,231
Total	<u>\$ 233,098</u>	<u>\$ 76,836</u>	<u>\$ (96,302)</u>	<u>\$ 213,632</u>	<u>\$ 81,231</u>

*Business-type Activities*

	<u>06/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/23</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Other long-term liabilities:					
Loan payable, USDA	\$ 2,353,059	\$ -	\$ (42,755)	\$ 2,310,304	\$ 43,510
Lease payable	21,775	-	(10,769)	11,006	11,006
Compensated absences	546,263	29,942	(115,294)	460,911	189,431
Total	<u>\$ 2,921,097</u>	<u>\$ 29,942</u>	<u>\$ (168,818)</u>	<u>\$ 2,782,221</u>	<u>\$ 243,947</u>

For the year ended June 30, 2023, \$42,329 in interest was charged to expenditures in business-type activities.



**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS

*General Information About the Pension Plan*

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

Defined Benefit Plans

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

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

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

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

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

System	Final Average Salary	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 age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.50%

\*Actuarial reductions are applied.

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

Contribution Rate Summary - As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023, are as follows:

	Employee	Employer	Employer 401(k)
<b>Contributory System</b>			
111- Local Governmental Division Tier 2	N/A	16.01%	0.18%
<b>Noncontributory System</b>			
15- Local Governmental Division Tier 1	N/A	17.97%	N/A
<b>Tier 2 DC Only</b>			
211- Local Government	N/A	6.19%	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, 2023, the employer and employee contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 275,527	N/A
Tier 2 Public Employees System	87,382	-
Tier 2 DC Public Employees	7,732	-
Total Contributions	<u>\$ 370,641</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.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

As of June 30, 2023, we reported a net pension asset of \$0 and a net pension liability of \$299,416.

	Measurement Date: December 31, 2021				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2020	Change (Decrease)
Noncontributory System	\$ -	\$ 275,291	0.1607308%	0.1627337%	-0.0020029%
Contributory System	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Public Safety System	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Firefighters System	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Judges Retirement System	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Governors & Legislators Plan	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Tier 2 Public Employees System	\$ -	\$ 24,125	0.0221557%	0.0204594%	0.0016963%
Tier 2 Public Safety and Firefighter	\$ -	\$ -	0.0000000%	0.0000000%	0.0000000%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 299,416</u>			

The net pension asset and liability were measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022, and roll-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the System during the plan year the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2023, the City recognized pension expense of \$207,318.

As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 101,524	\$ 957
Changes in assumptions	52,949	1,160
Net difference between projected and actual earnings on pension plan investments	191,312	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,139	1,101
Contributions subsequent to the measurement date	179,433	-
Total	<u>\$ 539,357</u>	<u>\$ 3,218</u>

\$179,433 was reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

<b>Year Ended December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2023	\$ (30,377)
2024	11,092
2025	77,603
2026	287,686
2027	2,162
Thereafter	8,540

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, we recognized pension expense of \$161,035.

As of June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 93,375	\$ -
Changes in assumptions	45,117	1,099
Net difference between projected and actual earnings on pension plan investments	181,585	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,226	59
Contributions subsequent to the measurement date	132,368	-
Total	\$ 461,671	\$ 1,158

\$132,367 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2023	\$ 31,794
2024	8,143
2025	72,936
2026	278,860
2027	-
Thereafter	-

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

For the year ended June 30, 2023, we recognized pension expense of \$ 46,283. As of June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,149	\$ 957
Changes in assumptions	7,832	61
Net difference between projected and actual earnings on pension plan investments	9,727	-
Changes in proportion and differences between contributions and proportionate share of contributions	4,913	1,042
Contributions subsequent to the measurement date	47,065	-
Total	<u>\$ 77,686</u>	<u>\$ 2,060</u>

\$47,065 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

<b>Year Ended December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2023	\$ 1,417
2024	2,949
2025	4,667
2026	8,826
2027	2,162
Thereafter	8,540

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 – 9.25 percent, average, including inflation
Investment Rate Return	6.85 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return Arithmetic Basis</u>		
	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity securities	35.00%	6.58%	2.30%
Debt securities	20.00%	1.08%	0.22%
Real assets	18.00%	5.72%	1.03%
Private equity	12.00%	9.80%	1.18%
Absolute return	15.00%	2.91%	0.44%
Cash and cash equivalents	0.00%	-0.11%	0.00%
Totals	100.00%		5.17%
	Inflation		2.50%
	Expected arithmetic nominal return		7.67%

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

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

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

<u>System</u>	<u>1% Decrease (5.85%)</u>	<u>Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
Noncontributory System	\$ 1,734,979	\$ 275,291	\$ 944,354
Tier 2 Public Employees System	105,414	24,125	38,497
Total	\$ 1,840,393	\$ 299,416	\$ 982,851

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

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

8. RETIREMENT SYSTEMS (CONTINUED)

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

Hyrum City participates in the 401(k), 457(b), and Roth IRA Plans with the Utah Retirement Systems.

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

<b>401(k) Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Employer Contributions	\$ 84,250	\$ 86,512	\$ 86,291
Employee Contributions	\$ 105,234	\$ 88,893	\$ 90,992
<b>457 Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 32,472	\$ 18,754	\$ 18,750
<b>Roth IRA Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 54,966	\$ 37,700	\$ 11,480

9. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

10. PROPERTY TAXES

No revenue is recognized for delinquent taxes as corresponding entries are made to taxes receivable and deferred revenue. Due to the collection process, which is a county function, delinquent property taxes are reported as revenue when received. The County handles the accounting for property tax collections and the collection of delinquencies can take up to five years, at which time property is sold at tax auctions to collect on property tax liens.



**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

11. INVESTMENTS IN POWER PROJECTS AND RELATED CONTRACTS

The power department is a member of Utah Associated Municipal Power Systems (UAMPS). UAMPS, a joint agency and political subdivision of the State of Utah was formed pursuant to the provisions of the Utah Interlocal Cooperation Act. UAMPS is a separate legal entity. No other governmental units exercise significant control over UAMPS and therefore is not considered a component unit. Separate financial statements for UAMPS may be obtained directly from UAMPS.

UAMPS' purpose includes planning, financing, developing, acquiring, constructing, improving, operating and maintaining projects. As a member of UAMPS, Hyrum City participates in various projects through power service contracts as discussed below:

San Juan Project (SJP) During July 1993, the City made an equity purchase of 1,500 KW of energy from the San Juan Generating Station for \$1,784,730. This purchase represents approximately 4.28 percent of UAMPS entitlement to the plant's capacity. Although this contract is expected to terminate during 2030, at inception the City found it appropriate to amortize the contract through fiscal year 2024. The San Juan Generating Station is a coal-fired electric power plant located in San Juan County, New Mexico, sourcing its coal from the San Juan Mine.

Payson Power Project. During June 2002, the City made an equity purchase of 1,026 KW of energy from the Payson Power Project for \$101,112. This purchase represents 0.9164 percent of UAMPS entitlement to the facility's capacity. This contract is expected to terminate during 2049. The Payson Power Project is a gas-fired electric generating facility located in Payson, Utah.

12. FEDERAL GRANTS – ECONOMIC RECOVERY

In July 2021, the City received its first or two federal disbursements for \$510,032, and in related to the American Rescue Plan Act of 2021 (ARPA). As of June 30, 2023, the City had received a total of \$1,020,064. The City has designated these funds for utility infrastructure projects. As of June 30, 2023, \$649,428 remains unspent.

ARPA mandates that the State distribute these funds, as received from the U.S. Department of Treasury to non-entitlement local governments in Utah. The City is not a subrecipient of the State; the City is responsible for understanding and adhering to all Treasury guidance and regulations, as well as any other applicable federal, state and local regulations governing the use of these funds.

The period of performance for this award ends on December 31, 2026. As set forth in Treasury's implementing regulations, the City may use award funds to cover eligible costs incurred during the period from March 3, 2021 through December 31, 2026.

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

13. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

*Budgetary Compliance*

The City is required to have its governing body adopt a budget every fiscal year. Management is required to monitor this budget and propose any necessary amendments to the budget for approval. See note 1 of the RSI for further information.

*Fund Balance Compliance*

The City is required to ensure that the accumulation of unrestricted fund balance (defined by the Utah State Auditor's Office as assigned, committed, and unassigned fund balance) in its General Fund does not exceed 35% of the total revenue of the City's General Fund for the current fiscal period. As of June 30, 2023, the calculated percentage was 16.54% (unrestricted general fund balance of \$1,416,825 of total general fund revenue of \$8,568,166).

14. TAX ABATEMENT

The City does not currently offer any Tax Abatements as of June 30, 2023.

15. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended June 30, 2023, management discovered certain state sales and use taxes were not being recorded in the proper accounting period. This resulted in fund balance and accounts receivable being understated in the governmental funds, and net position and accounts receivable being understated in governmental activities by \$452,551. Management also discovered an instance where a culture, parks, and recreation expense was recorded in the general ledger, but was not recorded in the audited financial statements. This resulted in fund balance being overstated and accounts payable being understated in the governmental funds, and net position being overstated and accounts payable being understated in governmental activities by \$88,219. The adjustment was recorded as of July 1, 2022.

The following summaries the prior-period restatement referred to above:

	General fund	Capital projects fund	Total governmental funds
Total fund balance at June 30, 2022, as previously reported	\$ 798,203	\$ 1,883,215	\$ 2,681,418
Prior-period restatement for:			
Sales and use taxes receivable	452,551	-	452,551
Culture, parks, and recreation payable	-	(88,219)	(88,219)
Total fund balance at June 30, 2022, as restated	\$ 1,250,754	\$ 1,794,996	\$ 3,045,750
			Governmental activities
Total net position at June 30, 2022, as previously reported			\$ 18,649,323
Prior-period restatement for:			
Sales and use taxes receivable			452,551
Culture, parks, and recreation payable			(88,219)
Total net position at June 30, 2022, as restated			\$ 19,013,655

**HYRUM CITY CORPORATION**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2023**

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 6, 2023, the date that the financial statements were available to be issued.



*REQUIRED SUPPLEMENTARY INFORMATION*

Budget to Actual Schedules:

General Fund

Pension Related Schedules:

Schedule of the Proportionate Share of the  
Net Pension Liability

Schedule of Contributions

Notes to Required Supplementary Information



**HYRUM CITY CORPORATION**  
**Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget to Actual – General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property, current	\$ 716,350	\$ 716,350	\$ 755,751	\$ 39,401
Property, delinquent	15,000	15,000	4,526	(10,474)
Sales and use tax	1,800,000	1,975,000	2,401,029	426,029
Energy tax	510,000	1,031,000	10,209	(1,020,791)
Telecommunications tax	55,000	55,000	531,390	476,390
Mass transit taxes	310,000	335,000	333,466	(1,534)
	3,406,350	4,127,350	4,036,371	(90,979)
Licenses and permits:				
Building permits	50,000	55,000	74,472	19,472
Business licenses	17,000	22,000	22,101	101
Animal licenses	11,000	11,000	10,758	(242)
	78,000	88,000	107,331	19,331
Intergovernmental:				
Federal grants:				
ARPA	-	510,032	1,123,168	613,136
Other	-	-	-	-
State grants:				
Class C roads	600,000	600,000	491,996	(108,004)
Other	605,000	611,000	314,863	(296,137)
Local grants	-	-	254,437	254,437
	1,205,000	1,721,032	2,184,464	463,432
Charges for services:				
Solid waste collection fees	1,000,000	1,050,000	1,042,325	(7,675)
Emergency medical services	200,000	200,000	187,027	(12,973)
Special protective services	120,000	125,000	144,649	19,649
Zoning and subdivision fees	50,000	55,000	55,000	-
Cemetery fees	60,000	65,000	63,650	(1,350)
Library use fees	55,000	57,000	58,424	1,424
Recreation fees	20,000	20,000	15,986	(4,014)
Youth Council activities	3,000	3,000	3,819	819
Library copy and laminating fees	2,000	2,000	1,888	(112)
Sale of maps and publications	1,000	1,000	56	(944)
Community progress fees	2,000	2,000	4,000	2,000
	1,513,000	1,580,000	1,576,824	(3,176)
Fines and forfeitures:				
Court Fines	100,000	100,000	123,919	23,919
Library fines	6,500	6,500	5,224	(1,276)
Animal control fees	3,000	3,000	1,375	(1,625)
Parking tickets	400	800	785	(15)
	109,900	110,300	131,303	21,003
Leases and rents:				
Building and facility rental	30,000	63,000	61,805	(1,195)
Library room rental	100	100	-	(100)
	30,100	63,100	61,805	(1,295)
Interest and dividends				
	20,300	105,300	108,754	3,454
Impact fees:				
Park related	221,700	221,700	210,615	(11,085)
Road related	77,900	77,900	37,392	(40,508)
	299,600	299,600	248,007	(51,593)
Payments in lieu of taxes				
	50,000	50,000	48,557	(1,443)
Donations:				
Museum	20,000	20,000	9,495	(10,505)
Library	2,000	17,000	4,745	(12,255)
Miscellaneous	37,000	37,000	14,401	(22,599)
	59,000	74,000	28,641	(45,359)
Miscellaneous:				
Refunds and other payments	100,000	100,000	20,925	(79,075)
Sale of supplies	10,000	15,000	13,525	(1,475)
Sale of library items	1,000	1,500	1,659	159
	111,000	116,500	36,109	(80,391)
	6,882,250	8,335,182	8,568,166	287,762

**HYRUM CITY CORPORATION, UTAH**  
**Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget to Actual – General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
City council	43,900	43,900	40,678	3,222
Youth city council	10,550	10,550	11,027	(477)
Mayor	29,800	34,800	28,551	6,249
Administrative services	189,200	234,200	206,160	28,040
Justice court	123,300	123,300	121,186	2,114
Elections	1,500	1,500	128	1,372
Non-departmental	18,200	18,200	14,622	3,578
Government buildings	56,000	70,000	65,463	4,537
Total general government	472,450	536,450	487,815	48,635
Public safety:				
Police	295,500	295,500	295,254	246
Fire and emergency response	345,000	362,000	308,239	53,761
Animal control	41,710	41,710	40,974	736
Total public safety	682,210	699,210	644,467	54,743
Community development:				
Planning and zoning	88,350	88,350	69,137	19,213
Engineering	38,550	58,550	44,519	14,031
Total community development	126,900	146,900	113,656	33,244
Streets and public works:				
Road projects	598,800	598,800	582,971	15,829
City shop	83,700	83,700	32,982	50,718
Solid waste collection	910,000	935,000	935,998	(998)
Total public works	1,592,500	1,617,500	1,551,951	65,549
Parks, recreation, and culture:				
Senior citizens	138,900	138,900	132,136	6,764
Parks	407,300	407,300	457,936	(50,636)
Recreation	52,500	52,500	38,122	14,378
Community events	425,400	470,400	413,215	57,185
Museum	76,000	106,000	106,652	(652)
Library	324,050	384,050	398,156	(14,106)
Cemetery	90,090	90,090	77,372	12,718
Total parks, recreation, and culture	1,514,240	1,649,240	1,623,589	25,651
Capital outlay				
General government	200,000	200,000	204,874	(4,874)
Streets and public Works	2,036,200	1,536,200	876,915	659,285
Parks, recreation, and culture	472,500	897,500	789,412	108,088
Total capital outlay	2,708,700	2,633,700	1,871,201	762,499
Total expenditures	7,097,000	7,283,000	6,292,679	990,321
Excess of revenues over expenditures	(214,750)	1,052,182	2,275,487	1,223,305
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of capital assets	35,000	35,000	-	(35,000)
Transfers in	659,282	892,350	-	(892,350)
Transfers out	(510,032)	(2,010,032)	(1,500,000)	510,032
Total other financing sources (uses)	184,250	(1,082,682)	(1,500,000)	(417,318)
Net change in fund balance	(30,500)	(30,500)	775,487	805,987
Fund balance, beginning of year (as restated)	-	-	1,250,754	1,250,754
Fund balance, end of year	\$ (30,500)	\$ (30,500)	\$ 2,026,241	\$ 2,056,741



**HYRUM CITY CORPORATION, UTAH**  
**Schedule of the Proportionate Share of the**  
**Net Pension Liability**  
**(Provided by Utah Retirement Systems)**  
**Last 10 Fiscal Years\***

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
<b>2023</b>		
Proportion of the net pension liability (asset)	0.1607308%	0.0221557%
Proportionate share of the net pension liability (asset)	\$ 275,291	\$ 24,125
Covered payroll	\$ 1,530,572	\$ 482,320
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.99%	5.00%
Plan fiduciary net position as a percentage of its covered payroll	97.50%	92.30%
<b>2022</b>		
Proportion of the net pension liability (asset)	0.1627340%	0.0204594%
Proportionate share of the net pension liability (asset)	\$ (931,993)	\$ (8,659)
Covered payroll	\$ 1,482,923	\$ 379,640
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-62.85%	-2.28%
Plan fiduciary net position as a percentage of its covered payroll	108.70%	103.80%
<b>2021</b>		
Proportion of the net pension liability (asset)	0.1599760%	0.2038900%
Proportionate share of the net pension liability (asset)	\$ 82,058	\$ 2,933
Covered payroll	\$ 1,441,819	\$ 325,868
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	5.69%	0.90%
Plan fiduciary net position as a percentage of its covered payroll	99.20%	98.30%
<b>2020</b>		
Proportion of the net pension liability (asset)	0.1431980%	0.1638760%
Proportionate share of the net pension liability (asset)	\$ 539,695	\$ 3,686
Covered payroll	\$ 1,279,108	\$ 227,558
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.19%	1.62%
Plan fiduciary net position as a percentage of its covered payroll	93.70%	96.50%
<b>2019</b>		
Proportion of the net pension liability (asset)	0.1380170%	0.1519680%
Proportionate share of the net pension liability (asset)	\$ 1,016,321	\$ 6,508
Covered payroll	\$ 1,207,406	\$ 177,110
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	84.17%	3.67%
Plan fiduciary net position as a percentage of its covered payroll	87.00%	90.80%
<b>2018</b>		
Proportion of the net pension liability (asset)	0.1432240%	0.1348340%
Proportionate share of the net pension liability (asset)	\$ 627,507	\$ 1,189
Covered payroll	\$ 1,254,680	\$ 132,021
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.01%	0.90%
Plan fiduciary net position as a percentage of its covered payroll	91.90%	97.40%
<b>2017</b>		
Proportion of the net pension liability (asset)	0.1359410%	0.0147654%
Proportionate share of the net pension liability (asset)	\$ 872,908	\$ 1,647
Covered payroll	\$ 1,177,746	\$ 121,089
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	74.12%	1.36%
Plan fiduciary net position as a percentage of its covered payroll	87.30%	95.10%
<b>2016</b>		
Proportion of the net pension liability (asset)	0.1438510%	0.0087766%
Proportionate share of the net pension liability (asset)	\$ 813,978	\$ (19)
Covered payroll	\$ 1,239,164	\$ 56,699
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65.69%	-0.03%
Plan fiduciary net position as a percentage of its covered payroll	87.80%	102.20%
<b>2015</b>		
Proportion of the net pension liability (asset)	0.1439460%	0.0125485%
Proportionate share of the net pension liability (asset)	\$ 625,047	\$ (380)
Covered payroll	\$ 1,214,170	\$ 61,462
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.48%	-0.62%
Plan fiduciary net position as a percentage of its covered payroll	90.20%	103.50%

**Note:**

This schedule usually covers the 10 most recent fiscal years; however, only 9 years have passed since the implementation year of GASB 68. Contributions in Tier 2 include an amortization rate to help fund unfunded liabilities in the Tier 1 systems.

**HYRUM CITY CORPORATION, UTAH**  
**Schedule of Contributions**  
**(Provided by Utah Retirement Systems)**  
**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
<b>Noncontributory System</b>	2023	\$ 275,527	\$ 275,527	\$ -	\$ 1,533,262	17.97%
	2022	\$ 278,243	\$ 278,243	\$ -	\$ 1,506,462	18.47%
	2021	\$ 272,126	\$ 272,126	\$ -	\$ 1,473,342	18.47%
	2020	\$ 253,625	\$ 253,625	\$ -	\$ 1,373,173	18.47%
	2019	\$ 222,043	\$ 222,043	\$ -	\$ 1,202,185	18.47%
	2018	\$ 226,768	\$ 226,768	\$ -	\$ 1,231,629	18.41%
	2017	\$ 224,503	\$ 224,503	\$ -	\$ 1,220,326	18.40%
	2016	\$ 225,022	\$ 225,022	\$ -	\$ 1,223,156	18.40%
	2015	\$ 221,822	\$ 221,822	\$ -	\$ 1,231,655	18.01%
	2014	\$ 210,119	\$ 210,119	\$ -	\$ 1,182,336	17.77%
<b>Tier 2 Public Employees System*</b>	2023	\$ 87,382	\$ 87,382	\$ -	\$ 545,797	16.01%
	2022	\$ 65,906	\$ 65,906	\$ -	\$ 410,117	16.07%
	2021	\$ 55,409	\$ 55,409	\$ -	\$ 351,960	15.74%
	2020	\$ 46,396	\$ 46,396	\$ -	\$ 296,383	15.65%
	2019	\$ 31,026	\$ 31,026	\$ -	\$ 199,653	15.54%
	2018	\$ 21,960	\$ 21,960	\$ -	\$ 145,336	15.11%
	2017	\$ 23,534	\$ 23,534	\$ -	\$ 157,843	14.91%
	2016	\$ 13,645	\$ 13,645	\$ -	\$ 91,515	14.91%
	2015	\$ 11,147	\$ 11,147	\$ -	\$ 74,613	14.94%
	2014	\$ 14,216	\$ 14,216	\$ -	\$ 101,613	13.99%
<b>Tier 2 Public Employees DC Only System*</b>	2023	\$ 7,732	\$ 7,732	\$ -	\$ 124,903	6.19%
	2022	\$ 7,672	\$ 7,672	\$ -	\$ 114,672	6.69%
	2021	\$ 6,911	\$ 6,911	\$ -	\$ 103,304	6.69%
	2020	\$ 4,189	\$ 4,189	\$ -	\$ 62,619	6.69%
	2019	\$ 7,392	\$ 7,392	\$ -	\$ 111,489	6.63%
	2018	\$ 6,821	\$ 6,821	\$ -	\$ 101,959	6.69%
	2017	\$ 5,650	\$ 5,650	\$ -	\$ 84,448	6.69%
	2016	\$ 5,151	\$ 5,151	\$ -	\$ 76,996	6.69%
	2015	\$ 4,902	\$ 4,902	\$ -	\$ 72,951	6.72%
	2014	\$ 3,789	\$ 3,789	\$ -	\$ 67,791	5.58%

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

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

**HYRUM CITY CORPORATION, UTAH**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2023**

1. BUDGET INFORMATION

Annual budgets are prepared and adopted in accordance with the “Uniform Fiscal Procedures Act for Utah Cities” by the Hyrum City Council on or before June 22nd for the following fiscal year which begins on July 1 for all the funds. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are adopted at subdepartment levels; however, budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

Budgets for all funds are legally adopted annually on a basis consistent with generally accepted accounting principles.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first regular scheduled meeting in May, the City Administrator 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 to finance those expenditures.
2. Prior to the formal adoption of the budget, the City Council will hold budget workshop meetings which are open to the public.
3. Prior to budget adoption the City Council sets a date for a public budget hearing at which time taxpayers’ comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing, the budget, as amended, is legally enacted through passage of a resolution or ordinance.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. Budgets for the General Fund and the Capital Projects Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2023 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.
7. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded for the applicable appropriation, is utilized in the General Fund. For budgetary purposes appropriations lapse at fiscal year end and except for that portion related to encumbered amounts.

**HYRUM CITY CORPORATION, UTAH**  
**Notes to the Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2023**

1. BUDGET INFORMATION (CONTINUED)

*Summary of Action Required for Budget Changes*

1. Transfers of unexpended appropriations from one expenditure account to another in the same department can be made with the consent of the Budget Officer.
2. The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.
3. Fund budgets may be increased by resolution after a public hearing. Final amendments to budgets in the current year shall be adopted by the Council by the last day of the fiscal year. Budgets of Enterprise Funds may be increased by resolution of the governing body (public hearing not required).

2. CHANGES IN ASSUMPTIONS FOR INFORMATION PROVIDED BY URS

No changes were made in actuarial assumptions from the prior year's valuation.

*OTHER SUPPLEMENTARY INFORMATION*

Nonmajor Governmental Funds:

Budget to Actual Schedules – Capital Projects



**HYRUM CITY CORPORATION, UTAH**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget to Actual – Capital Projects Fund**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Interest and dividends	\$ 9,300	\$ 34,300	\$ 30,685	\$ (3,615)
Donations	-	450,000	350,000	(100,000)
Total revenues	<u>9,300</u>	<u>484,300</u>	<u>380,685</u>	<u>(103,615)</u>
<b><u>EXPENDITURES</u></b>				
Capital outlay:				
Public safety	200,000	800,000	9,534	790,466
Parks, recreation, and culture	1,001,800	1,511,800	1,405,923	105,877
Total capital outlay	<u>1,201,800</u>	<u>2,311,800</u>	<u>1,415,457</u>	<u>896,343</u>
Deficit of revenues over expenditures	<u>(1,192,500)</u>	<u>(1,827,500)</u>	<u>(1,034,772)</u>	<u>792,728</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	<u>1,192,500</u>	<u>2,252,500</u>	<u>1,500,000</u>	<u>(752,500)</u>
Net change in fund balance	-	425,000	465,228	40,228
Fund balance, beginning of year	-	-	1,794,996	1,794,996
Fund balance, end of year	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ 2,260,224</u>	<u>\$ 1,835,224</u>





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# *COMPLIANCE SECTION*

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COMMITTED. EXPERIENCED. TRUSTED.

MICHAEL L. SMITH, CPA  
JASON L. TANNER, CPA  
ROBERT D. WOOD, CPA  
AARON R. HIXSON, CPA  
TED C. GARDINER, CPA  
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NATHAN E. ERICKSON, EA

FOUNDERS

E. LYNN HANSEN, CPA  
CLARKE R. BRADSHAW, CPA  
GARY E. MALMROSE, CPA  
EDWIN L. ERICKSON, CPA

**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**

*Independent Auditor’s Report*

Honorable Mayor and Members of the City Council  
Hyrum City Corporation  
Hyrum City, Utah

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hyrum City Corporation (the City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 6, 2023.

***Report on Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2023-1 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance with the *State Audit Compliance Guide* that is required to be reported under Government Auditing Standards, as 2023-2.

***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.

*ABMC, LLC*

December 6, 2023



COMMITTED. EXPERIENCED. TRUSTED.

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

Honorable Mayor and Members of the City Council  
Hyrum City Corporation  
Hyrum City, UT

***Report on Compliance***

We have audited Hyrum City Corporation’s (the City) compliance with the applicable state compliance requirements described in the Utah State Compliance Audit Guide, issued by the Office of the Utah State Auditor, for the year ended June 30, 2023.

State compliance requirements were tested for the year ended June 30, 2023 in the following areas:

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

***Opinion on Compliance***

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2023.

***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the State Compliance Audit Guide (Guide). Our responsibilities under those standards and the State Compliance Audit Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

**FOUNDERS**

E. LYNN HANSEN, CPA  
CLARKE R. BRADSHAW, CPA  
GARY E. MALMROSE, CPA  
EDWIN L. ERICKSON, CPA

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Guide and which is described in the accompanying schedule of findings as item 2023-2. Our opinion on compliance is not modified with respect to these matters.

*Government Auditing Standards* require the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 to 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### ***Purpose of This Report***

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

*ABMC, LLC*

December 6, 2023

**HYRUM CITY CORPORATION, UTAH**  
**Schedule of Findings**  
**For the Year Ended June 30, 2023**

**Internal Controls – Material Weakness**

**2023-1**

**Account Reconciliation and Financial Close Process**

*Statement of Condition*

Throughout the performance of our audit procedures, we noted general ledger accounts related to cash, accounts receivable, capital assets, accrued expenses, and deferred inflows/outflows related to pensions were not reconciled to adequate supporting schedules, as provided by management.

*Cause*

It does not appear that the City has established and follows documented controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America. The City relies on the audit firm to verify balances are correct at year-end and make any necessary adjustments.

*Effect or Potential Effect*

These conditions resulted in several significant, and in some instances material, audit adjustments. Not properly reconciling general ledger accounts to supporting schedules could result in inaccurate financial information being provided to management that may lead to bad decision making and cause delays in state and other reporting deadlines.

*Recommendation*

We recommend management ensures that all written policies and procedures be followed and updated to include adequate year-end financial closing procedures.

*Management's Response*

The City will look at an additional full time accounting professional or look at an outside CPA firm to help with the accounting process.



**HYRUM CITY CORPORATION, UTAH**  
**Schedule of Findings**  
**For the Year Ended June 30, 2023**

**State Compliance**

**2023-2**

**Budgetary Compliance**

*Statement of Condition*

The City prepares and presents to the City Council quarterly detailed financial reports but does not prepare and present monthly summary financial reports.

*Criteria*

The City is classified as a 4<sup>th</sup> class city, as defined by Utah Code 10-2-301 (municipality with a population of more than 10,000 but less than 30,000). Utah Code 10-6-148 requires 4<sup>th</sup> class cities to prepare and present to the governing body monthly summary financial reports and quarterly detailed financial reports, prepared in the manner prescribed in the Uniform Accounting Manual for Utah Cities.

*Effect*

By not preparing and presenting monthly financial reports to the City Council, the City is out of compliance with state law.

*Cause*

The City believed it was in compliance by preparing and presenting quarterly detailed financial reports.

*Recommendation*

The City should prepare and present to the City Council monthly summary financial reports and quarterly detailed financial reports, prepared in the manner prescribed in the Uniform Accounting Manual for Utah Cities, in accordance with state law.

*Management's Response*

The City will prepare and present monthly statements beginning January 2024 to be in compliance with state law.