

# **TOWN OF EUREKA CITY**

FINANCIAL STATEMENTS

JUNE 30, 2014

**TOWN OF EUREKA CITY**  
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**GILBERT & STEWART**  
CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Eureka City  
Eureka City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016 on our consideration of Eureka 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 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 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 Eureka City's internal control over financial reporting and compliance.

***Gilbert & Stewart***

GILBERT & STEWART, CPA, PC

Certified Public Accountants

Provo, UT 84601

January 15, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Eureka City, we offer readers of Town of Eureka City's financial statements this narrative overview and analysis of the financial activities of Town of Eureka City for the fiscal year ended June 30, 2014.

### Financial Highlights

- The total net assets of the governmental activities of \$1,600,075 is composed of \$1,128,163 of capital assets net of related debt, \$64,945 restricted for roads, and \$406,967 of unrestricted net assets. Total net assets decreased by \$84,800 from the prior year.
- As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$206,783. Of this amount, \$64,945 is restricted and must only be spent on the projects for which the money is restricted. The remaining \$141,838 is unassigned in the general fund.
- In the enterprise (proprietary) funds, operating revenues increased by \$198,377. Corresponding operating expenses increased by \$47,862.

### Reporting the City as a Whole

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

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

- *The statement of net assets* presents information on all of Town of Eureka City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Town of Eureka City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The government-wide financial statements can be found on pages 9 -10 of this report.

## **Reporting the City's Most Significant Funds**

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

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

The governmental fund financial statements can be found on pages 11-14 of this report.

The major governmental fund (as determined by generally accepted accounting principles) is the general fund.

- Proprietary funds – Town of Eureka City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Eureka City uses enterprise funds to account for its water utility, sewer utility, and sanitation utility.
- The basic proprietary fund financial statements can be found on pages 15-17 of this report.

## **Government-Wide Financial Analysis**

Capitalized net assets may serve over time as a useful indicator of a government's financial position. In the case of Town of Eureka City, assets exceed liabilities by \$3,812,929.

One of the largest portions of Town of Eureka City's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**The following table summarizes the City's net assets.**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 651,231	\$ 567,625	\$ 180,150	\$ (128,145)	\$ 831,381	\$ 439,480
Capital assets	1,128,163	1,190,972	2,434,577	1,667,398	3,562,740	2,858,370
Total assets	<u>1,779,394</u>	<u>1,758,597</u>	<u>2,614,727</u>	<u>1,539,253</u>	<u>4,394,121</u>	<u>3,297,850</u>
<b>Liabilities</b>						
Long-term debt outstanding	-	-	395,873	443,615	395,873	443,615
Other liabilities	137,589	133,158	6,000	113,834	143,589	246,992
Total liabilities	<u>137,589</u>	<u>133,158</u>	<u>401,873</u>	<u>557,449</u>	<u>539,462</u>	<u>690,607</u>
<b>Deferred inflows of resources</b>						
Unearned property taxes -future years	41,730	41,069	-	-	41,730	41,069
Total deferred inflows of resources	<u>41,730</u>	<u>41,069</u>	<u>-</u>	<u>-</u>	<u>41,730</u>	<u>41,069</u>
<b>Net assets</b>						
Invested in capital assets						
net of related debt	1,128,163	1,190,972	2,038,704	1,223,784	3,166,867	2,414,756
Restricted	64,945	72,374	-	-	64,945	72,374
Unrestricted	406,967	321,024	174,150	(241,980)	581,117	79,044
Total net assets	<u>\$ 1,600,075</u>	<u>\$ 1,584,370</u>	<u>\$ 2,212,854</u>	<u>\$ 981,804</u>	<u>\$ 3,812,929</u>	<u>\$ 2,566,174</u>

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**The following table summarizes the City's change in net assets.**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 38,306	\$ 51,117	\$ 473,412	\$ 275,035	\$ 511,718	\$ 326,152
Operating grants & contrib.	-	-	-	-	-	-
Capital grants & contrib.	54,407	51,782	1,104,828	-	1,159,235	51,782
General revenues:						
Property taxes	90,486	32,222	-	-	90,486	32,222
Sales and use tax	68,810	81,444	-	-	68,810	81,444
Franchise tax	19,899	18,278	-	-	19,899	18,278
Other taxes	2,161	2,845	-	-	2,161	2,845
Unrestricted investmt. earn.	139	121	1,942	488	2,081	609
Capital Contributions	-	-	-	53,835	-	53,835
Intergovernmental revenue	-	-	-	109,318	-	109,318
Total revenues	<u>274,208</u>	<u>237,809</u>	<u>1,580,182</u>	<u>438,676</u>	<u>1,854,390</u>	<u>676,485</u>
<b>Expenses:</b>						
General government	160,496	158,372	-	-	160,496	158,372
Public safety	3,538	7,750	-	-	3,538	7,750
Public works	80,244	138,196	-	-	80,244	138,196
Community development	13,728	17,952	-	-	13,728	17,952
Planning	497	329	-	-	497	329
Interest on debt	-	-	6,016	14,744	6,016	14,744
Water utility	-	-	163,845	124,796	163,845	124,796
Sewer utility	-	-	126,543	101,022	126,543	101,022
Sanitation utility	-	-	52,728	69,436	52,728	69,436
Total expenses	<u>258,503</u>	<u>322,599</u>	<u>349,132</u>	<u>309,998</u>	<u>607,635</u>	<u>632,597</u>
Increase (decr) in net assets before transfers	15,705	(84,790)	1,231,050	128,678	1,246,755	43,888
Transfers	-	-	-	-	-	-
Change in net assets	<u>15,705</u>	<u>(84,790)</u>	<u>1,231,050</u>	<u>128,678</u>	<u>1,246,755</u>	<u>43,888</u>
Net assets - beginning	<u>1,584,370</u>	<u>1,669,160</u>	<u>981,804</u>	<u>853,126</u>	<u>2,566,174</u>	<u>2,522,286</u>
Net assets - ending	<u>\$ 1,600,075</u>	<u>\$ 1,584,370</u>	<u>\$ 2,212,854</u>	<u>\$ 981,804</u>	<u>\$ 3,812,929</u>	<u>\$ 2,566,174</u>

**Business-type activities.** Business-type activities increased the City's net assets by \$1,246,755. As of the end of the current fiscal year, all three business-type funds reported positive net assets.

**Financial Analysis of the Government's Funds**

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

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 \$141,838, while total fund balance reached \$206,783. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund

balance to total fund expenditures. Unassigned fund balance represents 72% of total general fund expenditures, while total fund balance represents 95% of that same amount.

The City maintains enterprise funds to account for the business-type activities of the City. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the combined enterprise funds at the end of the year amounted to \$177,074. The value of capital assets net of related debt in these same funds is \$2,038,704. As mentioned in the financial highlights, operational revenues and expenditures in the Enterprise funds increased during the current fiscal year.

### General Fund Budgetary Highlights

During the fiscal year, the general fund’s original budget was adopted by the city council with budgeted revenues of \$215,463 and budgeted expenditures of \$187,270.

### Capital Assets and Debt Administration

**Capital Assets.** Town of Eureka City’s investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$3,562,739 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Construction in progress	\$ -	\$ -	\$ 1,000,154	\$ 246,103	\$ 1,000,154	\$ 246,103
Land	118,000	118,000	75,756	5,000	193,756	123,000
Water rights			36,997	36,997	36,997	36,997
Buildings	499,943	518,420	-	-	499,943	518,420
Improvements	1,363	1,696	43,670	45,815	45,033	47,511
Equipment	180	716	-	-	180	716
Infrastructure	508,677	552,140	1,277,999	1,333,484	1,786,676	1,885,624
Total capital assets	<u>\$ 1,128,163</u>	<u>\$ 1,190,972</u>	<u>\$ 2,434,576</u>	<u>\$ 1,667,399</u>	<u>\$ 3,562,739</u>	<u>\$ 2,858,371</u>

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

**Long-term debt.** At the end of the current year, the City had total bonded debt outstanding of \$377,873 secured solely by specific revenue (enterprise) sources (i.e., revenue bonds) and notes payable.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water bond payable 2003A	-	-	183,000	201,000	183,000	201,000
Water bond payable 2003B	-	-	198,000	198,000	198,000	198,000
Sewer loan payable	-	-	14,873	44,615	14,873	44,615
Sanitation loan payable	-	-	-	-	-	-
Total outstanding debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,873</u>	<u>\$ 443,615</u>	<u>\$ 395,873</u>	<u>\$ 443,615</u>

The City's total outstanding debt decreased by \$47,742 during fiscal year 2014. This was a result of the required debt service payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$598,886, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allow for an additional 8% to be used for water, sewer, or other revenue bond projects, thus resulting in a debt limit of 12% of total taxable value. The total limitation is \$1,796,658 which again significantly exceeds the outstanding debt.

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

### **Economic Factors and Next Year's Budgets and Rates**

- The general fund budget for the fiscal year ending June 30, 2014 reflects a 27% change over the fiscal year ending June 30, 2013 budget.

### **Request for Information**

This financial report is designed to provide a general overview of Town of Eureka City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Eureka City, P.O. Box 156 Town of Eureka City, UT 84628.

## **BASIC FINANCIAL STATEMENTS**

# TOWN OF EUREKA CITY

## Statement of Net Assets

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 216,324	\$ 127,238	\$ 343,562
Restricted Cash	-	-	-
Receivables:			
Accounts (Net of allowance)	-	52,911	52,911
Taxes	156,167	-	156,167
Intergovernmental	153,964	-	153,964
Other Assets	124,776	-	124,776
Capital Assets (Net of accumulated depreciation):			
Construction in Progress	-	1,000,155	1,000,155
Land	118,000	75,756	193,756
Water Rights	-	36,997	36,997
Buildings	499,943	-	499,943
Improvements	1,363	1,321,669	1,323,032
Equipment and Systems	180	-	180
Infrastructure	508,677	-	508,677
Total Assets	<u>1,779,394</u>	<u>2,614,726</u>	<u>4,394,120</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	10,055	460	10,515
Other Liabilities	124,776	2,614	127,390
Deposits	2,758	-	2,758
Accrued Interest Payable	-	2,925	2,925
Long Term Liabilities			
Due Within One Year	-	54,000	54,000
Due in More Than One Year	-	341,873	341,873
Total liabilities	<u>137,589</u>	<u>401,872</u>	<u>539,461</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unearned property taxes levied for future years	<u>41,730</u>	<u>-</u>	<u>41,730</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,128,163	2,038,704	3,166,867
Restricted			
C Roads	64,945	-	64,945
Unrestricted	406,967	174,150	581,117
Total Net Assets	<u>\$ 1,600,075</u>	<u>\$ 2,212,854</u>	<u>\$ 3,812,929</u>

See accompanying notes to the financial statements.

**TOWN OF EUREKA CITY**  
Statement of Activities  
For the Year Ended June 30, 2014

Function/Programs	Expenses	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 160,496	\$ 23,024	\$ -	\$ -	\$ (137,472)	\$ -	\$ (137,472)
Public Safety	3,538	-	-	-	(3,538)	-	(3,538)
Public Works	80,244	-	-	54,407	(25,837)	-	(25,837)
Community Development	13,728	15,282	-	-	1,554	-	1,554
Planning	497	-	-	-	(497)	-	(497)
Interest on Long-term Debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>258,503</u>	<u>38,306</u>	<u>-</u>	<u>54,407</u>	<u>(165,790)</u>	<u>-</u>	<u>(165,790)</u>
Business-type Activities:							
Water	169,861	242,414	-	472,454	-	545,007	545,007
Sewer	126,543	168,972	-	632,374	-	674,803	674,803
Sanitation	52,728	62,026	-	-	-	9,298	9,298
Total Business-type Activities	<u>349,132</u>	<u>473,412</u>	<u>-</u>	<u>1,104,828</u>	<u>-</u>	<u>1,229,108</u>	<u>1,229,108</u>
Total Primary Government	<u>\$ 607,635</u>	<u>\$ 511,718</u>	<u>\$ -</u>	<u>\$ 1,159,235</u>	<u>\$ (165,790)</u>	<u>\$ 1,229,108</u>	<u>\$ 1,063,318</u>
General Revenues:							
Property Taxes					\$ 90,486	\$ -	\$ 90,486
General Sales and Use Tax					68,810	-	68,810
Franchise Tax					19,899	-	19,899
Other Taxes					2,161	-	2,161
Unrestricted Investment Earnings					139	1,942	2,081
Total General Revenues					<u>181,495</u>	<u>1,942</u>	<u>183,437</u>
Change in Net Assets					15,705	1,231,050	1,246,755
Net position- Beginning					1,584,370	981,804	2,566,174
Net assets - Ending					<u>\$ 1,600,075</u>	<u>\$ 2,212,854</u>	<u>\$ 3,812,929</u>

*See accompanying notes to the financial statements.*

**TOWN OF EUREKA CITY**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2014

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 216,324
Restricted cash	-
Taxes receivable	156,167
Intergovernmental receivable	153,964
Total assets	\$ 526,455
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 10,055
Deposits	2,758
Total liabilities	12,813
 Deferred inflows of resources	
Unearned property tax-levied for future years.	\$ 41,730
Unavailable property taxes - delinquent	265,129
Total deferred inflows of resources	306,859
 Fund Balances:	
Restricted	
Roads	64,945
Parks	-
Unassigned	141,838
Total fund balances	206,783
Total liabilities, deferred inflows of resources & fund balances	\$ 526,455

*See accompanying notes to the financial statements.*

**TOWN OF EUREKA CITY**

Balance Sheet Reconciliation to  
Statement of Net Assets  
June 30, 2014

Total fund balances - governmental fund types: \$ 206,783

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 118,000	
Buildings	740,331	
Improvements	15,005	
Equipment	66,742	
Infrastructure	1,889,588	
Less Accumulated Depreciation	<u>(1,701,503)</u>	
		1,128,163

Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds

Delinquent Property Taxes	<u>265,129</u>	
		265,129

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds but rather as an expenditure when due. All liabilities, both current and long-term are reported in the statement of net assets.

Accrued Liabilities		
Accrued Interest on Debt	-	
Loan Payable	<u>-</u>	
		<u>-</u>

Net assets of government activities \$ 1,600,075

**TOWN OF EUREKA CITY**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 23,273
Licenses and permits	3,316
Intergovernmental	-
Charges for services	15,282
Fines	-
Miscellaneous	19,847
Total revenues	<u>61,718</u>
<b>EXPENDITURES</b>	
Current:	
General government	142,020
Public safety	3,000
Public works	36,782
Planning and zoning	497
Community development	13,395
Debt service:	
Principal	-
Interest	-
Total expenditures	<u>195,694</u>
Excess (deficit) of revenues over (under) Expenditures	<u>(133,976)</u>
Other financing sources (uses)	-
Net change in fund balance	(133,976)
Fund balances - beginning of year	<u>340,759</u>
Fund balances - end of year	<u>\$ 206,783</u>

*See accompanying notes to the financial statements.*

**TOWN OF EUREKA CITY**  
Statement of Changes Reconciliation to  
Statement of Activities  
For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ (133,976)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ -	
Contribution of Capital Assets to Enterprise Funds	-	
Depreciation Expense	<u>(62,809)</u>	(62,809)

The repayment of long-term debt consumes the current financial resources of governmental funds. Therefore net assets increase by the amount of the principal payments.

Principal Payments		-
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Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental fund statements.

Accrued Interest		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.

Delinquent Property Taxes		<u>212,490</u>
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Change in net assets of governmental activities		<u><u>\$ 15,705</u></u>
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# TOWN OF EUREKA CITY

## Statement of Net Assets

### Proprietary Funds

June 30, 2014

	Business-Type Activities - Enterprise			
	Water	Sewer	Sanitation	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 41,456	\$ 33,733	\$ 52,049	\$ 127,238
Receivables				
Accounts (Net)	25,713	20,380	6,819	52,912
Total current assets	67,169	54,113	58,868	180,150
Noncurrent assets:				
Capital assets	1,518,927	1,265,635	43,000	2,827,562
Construction in progress	678,751	321,403	-	1,000,154
Less: Accumulated depreciation	(655,913)	(694,226)	(43,000)	(1,393,139)
Total noncurrent assets	1,541,765	892,812	-	2,434,577
Total assets	1,608,934	946,925	58,868	2,614,727
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	-	461	-	461
Bond interest payable	2,925	-	-	2,925
Payroll payable	1,312	1,243	59	2,614
Current portion of long-term debt	54,000	-	-	54,000
Total current liabilities	58,237	1,704	59	60,000
Noncurrent liabilities:				
Long term debt	327,000	14,873	-	341,873
Total noncurrent liabilities	327,000	14,873	-	341,873
Total liabilities	385,237	16,577	59	401,873
Net Assets:				
Invested in capital assets, net of related debt	1,160,765	877,939	-	2,038,704
Unrestricted	62,932	52,409	58,809	174,150
Total net assets	\$ 1,223,697	\$ 930,348	\$ 58,809	\$ 2,212,854

*See accompanying notes to the financial statements.*

**TOWN OF EUREKA CITY**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
**Proprietary Funds**  
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>Operating revenues:</b>				
Charges for services	\$ -	\$ 168,972	\$ 62,026	\$ 230,998
Charges for services pledged as security on revenue bonds	242,414	-	-	242,414
Total operating revenues	242,414	168,972	62,026	473,412
<b>Operating expenses:</b>				
Salaries and wages	55,632	53,940	1,909	111,481
Purchased services	35,665	18,585	50,769	105,019
Supplies and materials	40,160	28,777	50	68,987
Depreciation and amortization	32,388	25,241	-	57,629
Total operating expenses	163,845	126,543	52,728	343,116
Operating income	78,569	42,429	9,298	130,296
<b>Nonoperating revenues (expenses):</b>				
Interest revenue	718	1,224	-	1,942
Intergovernmental revenue	472,454	632,374	-	1,104,828
Interest expense and fiscal charges	(6,016)	-	-	(6,016)
Total nonoperating revenues (expenses)	467,156	633,598	-	1,100,754
Net Income (loss) before Contributions and Transfers and Transfers	545,725	676,027	9,298	1,231,050
Change in net assets	545,725	676,027	9,298	1,231,050
Total net position as restated - beginning	677,972	254,321	49,511	981,804
Total net assets - ending	\$ 1,223,697	\$ 930,348	\$ 58,809	\$ 2,212,854

*See accompanying notes to the financial statements.*

## TOWN OF EUREKA CITY

### Statement of Cash Flows

#### Proprietary Funds

For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total BTAs
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 237,150	\$ 154,533	\$ 63,261	\$ 454,944
Payments to suppliers	(85,799)	(140,024)	(56,058)	(281,881)
Payments to employees	(55,481)	(53,805)	(1,908)	(111,194)
Internal balances	112,649	(347,716)	46,754	(188,313)
Net cash provided (used) by operating activities	<u>208,519</u>	<u>(387,012)</u>	<u>52,049</u>	<u>(126,444)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	-	-	-	-
<b>Cash Flows From Capital and Related Financing Activities</b>				
Intergovernmental revenue	472,454	632,374	-	1,104,828
Principal paid on capital debt	(18,000)	(29,742)	-	(47,742)
Purchase of capital assets	(628,834)	(195,973)	-	(824,807)
Interest paid on capital debt	(6,263)	-	-	(6,263)
Net cash provided (used) by capital and related financing activities	<u>(180,643)</u>	<u>406,659</u>	<u>-</u>	<u>226,016</u>
<b>Cash Flows From Investing Activities</b>				
Interest and dividends received	718	1,224	-	1,942
Net increase (decrease) in cash and cash equivalents	28,594	20,871	52,049	101,514
Cash and cash equivalents - beginning	12,862	12,862	-	25,724
Cash and cash equivalents - ending	<u>\$ 41,456</u>	<u>\$ 33,733</u>	<u>\$ 52,049</u>	<u>\$ 127,238</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 78,569	\$ 42,429	\$ 9,298	\$ 130,296
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	32,388	25,241	-	57,629
(Increase) decrease in accounts receivable	(5,264)	(14,439)	1,235	(18,468)
(Increase) decrease in due from other funds	112,649	-	46,754	159,403
Increase (decrease) in accounts payable	(9,974)	(92,662)	(5,239)	(107,875)
Increase (decrease) in payroll payable	151	135	1	287
Increase (decrease) in deferred revenue	-	-	-	-
Increase (decrease) in due to other funds	-	(347,716)	-	(347,716)
Total adjustments	<u>129,950</u>	<u>(429,441)</u>	<u>42,751</u>	<u>(256,740)</u>
Net cash provided (used) by operating activities	<u>\$ 208,519</u>	<u>\$ (387,012)</u>	<u>\$ 52,049</u>	<u>\$ (126,444)</u>

*See accompanying notes to the financial statements.*

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Town of Eureka City (the Town) are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The Town applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the Town are discussed below.

**Reporting Entity**

The Town of Eureka City is located in Juab County in the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the mayor and a town council. The Town provides the following services as mandated by law: general administrative services, public safety, highways and public improvements, parks, recreation and public property, water, and sanitation services.

**Government Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use directly benefit from goods, services, or privileges, provided by a given function or activity or (2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. 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.

**TOWN OF EUREKA CITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**Measurement Focus, Basis of Accounting and Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

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

The Town reports the following major governmental funds:

The *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.

The Town reports the following major proprietary funds:

The *water, sewer, and sanitation funds* account for the water, sewer, and sanitation activities of the Town.

**TOWN OF EUREKA CITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule, the effect of inter-fund activity has been eliminated from the government financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

**Assets, Liabilities, and Net Assets or Equity**

**A. Cash and Cash Equivalents**

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer’s Investment Fund (the Fund) and other investments allowed by the State of Utah’s Money Management Act. Investments are reported at fair value. The fund operates in accordance with state laws and regulations. The reported value of the Town’s cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this criterion.

**B. Restricted Assets**

Cash, which is restricted to a particular use due to statutory, budgetary, or bonding requirements by outside parties, is classified as “restricted cash” on the financial statements. Restricted cash would be spent first and then unrestricted would be used when the restricted funds are depleted.

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Infrastructure	30-50
Improvements other than buildings	10-40
Machinery and equipment	5-10

**D. Taxes**

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1, and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes which are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The Town council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22 each year. The county treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

**TOWN OF EUREKA CITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Deferred Outflows / Inflows of Resources**

Beginning with 2013, The City implemented GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement 65, Items Previously Reported as Assets and Liabilities*. These Statements provide financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. They also establish accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resource, certain items that were previously reported as assets and liabilities, and recognizes, as outflows or resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no deferred outflows of resources.

In addition to liabilities, the financial statements will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, revenue for future year, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2013 for the 2013-2014 Fiscal year.

**F. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**TOWN OF EUREKA CITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**G. Fund Equity**

Beginning with fiscal year 2012, the Town implemented GASB Statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following: debt service and impact fees
  
- **Unassigned.** Residual balances in the Governmental Funds are classified as unassigned.

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Town or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

**I. Use of Estimates**

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the Town. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

- A. On or before the first regularly scheduled meeting of the Town council in May, the Town clerk, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held, at which time the taxpayers' comments are heard. Notice of the hearing is posted in various locations in the Town at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.
- D. Control of budgeted expenditures is exercised at the departmental level under state law. The Town clerk, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The Town council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing, as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the fiscal year, the Town modified the budget using the above procedures.

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Town’s carrying amount of deposits was \$753,016 and the balance in the Town’s bank account and the cash on hand was \$343,562, with the difference being due to outstanding checks and deposits in transit.

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The Town considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. Town funds are deposited in qualified depositories as defined by the Act. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, the Town’s custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2014
Checking and Savings	Insured and Collateralized	\$ 250,000
Checking and Savings	Uninsured and Uncollateralized	168,408
Total Deposits		\$ 418,408

B. Investments

The Town’s investments are managed through participation in the State Public Treasurer’s Investment Fund and through a trust arrangement with a local bank. As of June 30, 2014 the Town had the following investments:

Investments	Investment Maturities (in Years)				Quality Ratings
	Less Than 1	1-5	6-10	More than 10	
Utah Public Treasurer's Investment Fund	\$ 202,322	\$ -	\$ -	\$ -	Unrated
Certificates of Deposit	-	132,286	-	-	Unrated
Total Investments	\$ 202,322	\$ 132,286	\$ -	\$ -	

Investments – Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by **NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

Investments – Credit Risk. The Town follows the requirements of the Utah Money Management Act (the Act) in handling its depository and investing transactions. The Town funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the Town to invest in the Utah Public Treasurer’s Investment Fund (PTIF), certificates of deposits, U.S. treasury obligations, U.S. agency issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The Town’s investments are invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The Town considers the actions of the council to be necessary and sufficient for adequate protection of its investments. The Town has no investment policy that would further limit its investment choices. The PTIF fund is unrated.

**NOTE 4 - RECEIVABLES**

Receivables as of yearend for the government’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 310,132	\$ -	\$ -	-	\$ 310,132
Intergovernmental	-	-	-	-	-
Accounts	-	59,887	44,489	14,886	119,262
Allowance for uncollectible accounts	-	(34,175)	(24,109)	(8,067)	(66,351)
Total receivables	<u>\$ 310,132</u>	<u>\$ 25,712</u>	<u>\$ 20,380</u>	<u>\$ 6,819</u>	<u>\$ 363,043</u>

Governmental funds report *deferred inflows (formerly referred to as deferred revenue)* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred inflows* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	<u>\$ 265,129</u>	<u>\$ 41,730</u>

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances and transfers are created to support temporary cash deficiencies in the applicable funds. The composition of interfund balances and transfers as of June 30, 2014, are as follows:

Due to/from other funds:

Receivable Fund		Payable Fund	
Garbage Fund	\$ 52,049	General Fund	\$ 114,154
Water Funds	34,914		
Sewer Fund	27,191		-
Total	\$ 114,154	Total	\$ 114,154

**NOTE 6 – OTHER ASSETS / OTHER LIABILITIES**

The Town received land from the Union Pacific Railroad. The land was adjacent to existing property owners. The railroad company gave the land to the Town with the stipulation that when the adjacent property owner presented a survey showing the portion of land that was adjacent to their property, the Town would then deed the land to the citizen. The Town has title to the land; however, the agreement states that the land can only be given to the adjacent property owners. Therefore, this transaction is treated as another asset and other liability on the statement of net assets.

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**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

<b>Primary Government</b>	Ending			Ending
<b>Governmental activities:</b>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction In Progress	\$ -	\$ -	\$ -	\$ -
Land	118,000	-	-	118,000
Total capital assets not being depreciated	<u>118,000</u>	<u>-</u>	<u>-</u>	<u>118,000</u>
Capital assets being depreciated:				
Buildings	740,331	-	-	740,331
Improvements	15,005	-	-	15,005
Machinery and equipment	66,742	-	-	66,742
Infrastructure	1,889,588	-	-	1,889,588
Total capital assets being depreciated	<u>2,711,666</u>	<u>-</u>	<u>-</u>	<u>2,711,666</u>
Less accumulated depreciation for:				
Buildings	221,912	18,476	-	240,388
Improvements	13,309	333	-	13,642
Machinery and equipment	66,024	538	-	66,562
Infrastructure	1,337,449	43,462	-	1,380,911
Total accumulated depreciation	<u>1,638,694</u>	<u>62,809</u>	<u>-</u>	<u>1,701,503</u>
Total capital assets, being depreciated, net	<u>1,072,972</u>	<u>(62,809)</u>	<u>-</u>	<u>1,010,163</u>
Governmental activities capital assets, net	<u>\$ 1,190,972</u>	<u>\$ (62,809)</u>	<u>\$ -</u>	<u>\$ 1,128,163</u>
	Ending			Ending
	Balance	Increases	Decreases	Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in Progress	\$ 246,103	\$ 754,051	\$ -	1,000,154
Land	5,000	70,756	-	75,756
Water Rights	36,997	-	-	36,997
Total capital assets not being depreciated	<u>288,100</u>	<u>824,807</u>	<u>-</u>	<u>1,112,907</u>
Capital assets being depreciated:				
Improvements	2,635,309	-	-	2,635,309
Machinery and equipment	79,500	-	-	79,500
Total capital assets being depreciated	<u>2,714,809</u>	<u>-</u>	<u>-</u>	<u>2,714,809</u>
Less accumulated depreciation for:				
Improvements	1,256,011	57,629	-	1,313,640
Machinery and equipment	79,500	-	-	79,500
Total accumulated depreciation	<u>1,335,511</u>	<u>57,629</u>	<u>-</u>	<u>1,393,140</u>
Total capital assets, being depreciated, net	<u>1,379,298</u>	<u>(57,629)</u>	<u>-</u>	<u>1,321,669</u>
Business-type activities capital assets, net	<u>\$ 1,667,398</u>	<u>\$ 767,178</u>	<u>\$ -</u>	<u>\$ 2,434,576</u>

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 7 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities		
General government	\$	18,476
Public safety		538
Public works		43,462
Community development		333
Total depreciation expense governmental activities	<u>\$</u>	<u>62,809</u>
Business-type activities		
Water	\$	32,388
Sewer		25,241
Sanitation		-
Total depreciation expense business-type activities	<u>\$</u>	<u>57,629</u>

**NOTE 8 - LAND DEPOSIT**

The Town is in the process of purchasing land that it intends to resell to certain citizens. The Town has not yet purchased the land. The citizens have prepaid \$2,458 toward the purchase price.

**NOTE 9 - LONG-TERM DEBT**

Long-term debt consists of the following:

<u>Business Type Activities</u>	<u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2014</u>	<u>Due in one year</u>
Water bond payable 2003A	\$ 201,000	\$ -	\$ 18,000	\$ 183,000	\$ 18,000
Water bond payable 2003B	198,000	-	-	198,000	36,000
Sewer loan payable	44,614	-	29,742	14,872	-
Total	<u>\$ 443,614</u>	<u>\$ -</u>	<u>\$ 47,742</u>	<u>\$ 395,872</u>	<u>\$ 54,000</u>

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 9 - LONG-TERM DEBT (Continued)**

A) Non-interest bearing indebtedness payable to the State of Utah in annual installments of \$14,872 per year beginning July 1, 1987 through July 1, 2016. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ -	\$ -
2016	14,870	-	14,870
	<u>\$ 14,870</u>	<u>\$ -</u>	<u>\$ 14,870</u>

B) Non-interest bearing note payable to the Permanent Community Impact Fund Board in annual installments beginning August 1, 2004 through August 1, 2023. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 36,000	-	\$ 36,000
2016	18,000	-	18,000
2017	18,000	-	18,000
2018	18,000	-	18,000
2019	18,000	-	18,000
2020-2024	90,000	-	90,000
	<u>\$ 198,000</u>	<u>\$ -</u>	<u>\$ 198,000</u>

C) \$352,000 Parity Water Revenue Bond Series 2003A. This bond requires annual installments of principal and interest due beginning January 1, 2004 through January 1, 2023, bearing an interest rate of 2.91%. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 18,000	\$ 5,849	\$ 23,849
2016	18,000	5,325	23,325
2017	19,000	4,802	23,802
2018	19,000	4,249	23,249
2019	20,000	3,696	23,696
2020-2024	89,000	9,545	98,545
	<u>\$ 183,000</u>	<u>\$ 33,466</u>	<u>\$ 216,466</u>

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 9 - LONG-TERM DEBT (Continued)**

Debt service requirements to maturity for all of the Town’s bonds and notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 54,000	\$ 5,849	\$ 59,849
2016	50,870	5,325	56,195
2017	37,000	4,802	41,802
2018	37,000	4,249	41,249
2019	38,000	3,696	41,696
2020-2024	179,000	9,545	188,545
	<u>\$ 395,870</u>	<u>\$ 33,466</u>	<u>\$ 429,336</u>

**NOTE 10 – RESERVED FUND BALANCES**

The Town has reserved fund balance amounts for unspent B&C road funds designed for maintenance of the Town’s roads.

<u>General Fund</u>	<u>Amount</u>
Class “C” Roads	\$ 64,945

**NOTE 11 - RETIREMENT PLAN**

*Plan Description.* Town of Eureka City contributes to the Local Governmental Noncontributory Retirement System, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with social security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

**TOWN OF EUREKA CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 11 - RETIREMENT PLAN (Continued)**

*Funding Policy.* In the Local Governmental Noncontributory Retirement System Tier 1, Town of Eureka City is required to contribute 16.040% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Town of Eureka City contributions to the Noncontributory Retirement System for June 30, 2014, 2013, and 2012, were \$15,139, \$13,817, and \$9,557, respectively. The contributions were equal to the required contributions for each year.

Town of Eureka City also had a 457 plan. The contributions for the system for June 30, 2014, 2013 and 2012 were \$280, \$0, and \$0 respectively.

**NOTE 13 - LITIGATION**

The Town is defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. Town management is of the opinion that the final outcome of these matters will not have an adverse material effect on the Town's financial statements.

**NOTE 14 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Town to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies, which the Town pays in the event of any loss. The Town also has purchased a workers' compensation policy. Losses have not exceeded coverage during the last three years.

**NOTE 15 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 15, 2016, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF EUREKA CITY**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget to Actual  
**General Fund**  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 144,993	\$ 144,993	\$ 23,273	\$ (121,720)
Licenses and permits	2,890	2,890	3,316	426
Intergovernmental	41,420	41,420	-	(41,420)
Charges for services	17,510	17,510	15,282	(2,228)
Fines	-	-	-	-
Miscellaneous	8,650	8,650	19,847	11,197
Total revenues	215,463	215,463	61,718	(153,745)
<b>EXPENDITURES</b>				
Current:				
General government	126,000	126,000	142,020	(16,020)
Public safety	5,500	5,500	3,000	2,500
Public works	37,000	37,000	36,782	218
Planning and zoning	-	-	497	(497)
Community development	18,770	18,770	13,395	5,375
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	187,270	187,270	195,694	(8,424)
Excess (deficit) of revenues over (under) expenditures	28,193	28,193	(133,976)	(162,169)
Other financing sources (uses)				
Transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	28,193	28,193	(133,976)	(162,169)
Fund balances - beginning	340,759	340,759	340,759	-
Fund balances - ending	\$ 368,952	\$ 368,952	\$ 206,783	\$ (162,169)



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

Honorable Mayor and Town Council  
The Town of Eureka City  
Eureka, UT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Eureka City's basic financial statements, and have issued our report thereon dated January 15, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Eureka 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 Town of Eureka City's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Eureka 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [14-1].

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Eureka 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of Eureka City's Response to Findings**

The Town of Eureka City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Eureka City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Gilbert & Stewart***

GILBERT & STEWART  
Certified Public Accountants  
January 15, 2016

**TOWN OF EUREKA CITY**  
**SCHEDULE OF SIGNIFICANT DEFICIENCIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

1. Segregation of Duties

**Finding:** During our audit, we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small cities make it difficult to provide for these separations in a cost effective manner. We recommend that, when feasible, the Town provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the Town council should continue to constantly be aware of the need for administrative review of transactions and activities of the Town.

**Response:** We will take steps to ensure the Town council has proper management oversight to reduce the segregation of duties risk.

2. Draft Financial Statements

**Finding:** The Town does not have an employee with certain expertise to draft the Town's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements. Management should make efforts to gain as much expertise as possible regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

**Response:** Management will gain expertise in the preparation of the financial statements and footnotes to ensure they are qualified to review, approve, and accept responsibility for the financial statements.

3. Adjustments to Accrual Basis of Accounting

**Finding:** The Town does not currently post year-end adjusting journal entries necessary to adjust the financial statements to the accrual basis of accounting. Management should make efforts to make the year-end entries to adjust to the proper basis of accounting.

**Response:** Management will seek training on posting year-end journal entries and the adjusting the financial statements to the proper basis of accounting.



## GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

RANDEL A HEATON, CPA  
LYNN A. GILBERT, CPA  
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BEN H PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA

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### INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROLS OVER COMPLIANCE*

Honorable Mayor and Town Council  
Town of Eureka City  
Eureka, UT

We have audited Town of Eureka City's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Town of Eureka City for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System Compliance
- Transfers from Utility Enterprise Funds
- Cash Management
- Impact Fees
- GRAMA
- Conflicts of Interest
- Nepotism
- Utah Public Meetings Act
- Open and Public Meetings Act

The Town did not receive any major assistance programs from the State of Utah during the year ended June 30, 2014.

#### ***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

### ***Opinion on General State Compliance Requirements***

In our opinion, Town of Eureka complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the Town for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated January 15, 2016 as item 2014-1.

Town of Eureka's response to the noncompliance findings identified in our audit is described in our letter to management as 2014-1. Town of Eureka's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general 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 general 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 general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in our letter to management as item 2014-1.

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

***Gilbert & Stewart***

GILBERT & STEWART  
*Certified Public Accountants*