

TOWN OF EUREKA CITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

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 Town Council
Town of Eureka City
Eureka Town, Utah

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022 and the respective changes in financial position and cash flows, where applicable, 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 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 Town 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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town'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 Town'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 and budgetary comparison information, and the required supplementary information regarding pensions, as noted 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements.

The budgetary comparison and combining statements, as listed as supplemental information in the table of contents is the responsibility of management and was derived from and relate 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, budgetary comparison 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 April 28, 2023, on our consideration of the Town'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 the Town's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Provo, Utah

May 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Eureka City (the City), we offer readers of the 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, 2022.

Financial Highlights

- The total net assets of the governmental activities of \$1,294,699 is composed of \$931,921 of investment in capital assets, \$3,910 of restricted net assets and \$358,868 of unrestricted net assets. Total net assets increased by \$52,458 from the prior year.
- As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$369,071, this is composed of \$3,910 in restricted fund balance and \$365,161 in unassigned fund balance.
- In the enterprise (proprietary) funds, operating revenues increased by \$30,865. Corresponding operating expenses increased by \$74,356. The largest reason for this increase is the depreciation expense and increase in wages expense.
- In the enterprise (proprietary) funds, nonoperating revenues decreased by \$4,924 due to a contribution to other governments related to the water and sewer projects.

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 the 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 the Town 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 Town'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 Town'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 – the 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. The 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 The Town, assets and deferred outflows exceed liabilities and deferred inflows by \$13,202,852.

One of the largest portions of Town of Eureka City's net assets (95%) 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 Town'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 | |
|---------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and other assets | \$ 657,464 | \$ 523,759 | \$ 301,750 | \$ 210,877 | \$ 959,214 | \$ 734,636 |
| Capital assets | 931,921 | 920,686 | 14,834,771 | 15,213,844 | 15,766,692 | 16,134,530 |
| Total assets | <u>1,589,385</u> | <u>1,444,445</u> | <u>15,136,521</u> | <u>15,424,721</u> | <u>16,725,906</u> | <u>16,869,166</u> |
| Deferred outflows of resources | | | | | | |
| Pension related costs | 8,735 | 7,074 | 16,957 | 13,733 | 25,692 | 20,807 |
| Total Deferred outflows of resources | <u>8,735</u> | <u>7,074</u> | <u>16,957</u> | <u>13,733</u> | <u>25,692</u> | <u>20,807</u> |
| Liabilities | | | | | | |
| Long term Liabilities | - | 1,698 | 3,108,045 | 3,277,654 | 3,108,045 | 3,279,352 |
| Other liabilities | 228,643 | 146,360 | 87,938 | 20,374 | 316,581 | 166,734 |
| Total liabilities | <u>228,643</u> | <u>148,058</u> | <u>3,195,983</u> | <u>3,298,028</u> | <u>3,424,626</u> | <u>3,446,086</u> |
| Deferred inflows of resources | | | | | | |
| Unearned property taxes -future years | 49,359 | 47,665 | - | - | 49,359 | 47,665 |
| Pension related costs | 25,419 | 13,555 | 49,342 | 26,312 | 74,761 | 39,867 |
| Total deferred inflows of resources | <u>74,778</u> | <u>61,220</u> | <u>49,342</u> | <u>26,312</u> | <u>124,120</u> | <u>87,532</u> |
| Net assets | | | | | | |
| Invested in capital assets | | | | | | |
| net of related debt | 931,921 | 920,686 | 11,651,502 | 11,939,484 | 12,583,423 | 12,860,170 |
| Restricted | 3,910 | - | 6,141 | - | 10,051 | - |
| Unrestricted | 358,868 | 321,555 | 250,510 | 174,630 | 609,378 | 496,185 |
| Total net assets | <u>\$ 1,294,699</u> | <u>\$ 1,242,241</u> | <u>\$ 11,908,153</u> | <u>\$ 12,114,114</u> | <u>\$ 13,202,852</u> | <u>\$ 13,356,355</u> |

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 93,825 | \$ 86,137 | \$ 527,358 | \$ 496,673 | \$ 621,183 | \$ 582,810 |
| Operating grants & contrib. | 55,415 | 118,626 | - | - | 55,415 | 118,626 |
| Capital grants & contrib. | 43,360 | 20,000 | 6,141 | 4,635 | 49,501 | 24,635 |
| General revenues: | | | | | | |
| Property taxes | 62,968 | 68,413 | - | - | 62,968 | 68,413 |
| Sales and use tax | 120,346 | 108,402 | - | - | 120,346 | 108,402 |
| Franchise tax | 40,024 | 37,573 | - | - | 40,024 | 37,573 |
| Other taxes | - | - | - | - | - | - |
| Unrestricted investmt. earn. | 314 | 422 | 35 | 324 | 349 | 746 |
| Loss on sale of Capital Assets | - | - | - | - | - | - |
| Intergovernmental revenue | - | - | - | - | - | - |
| Total revenues | <u>416,252</u> | <u>439,573</u> | <u>533,534</u> | <u>501,632</u> | <u>949,786</u> | <u>941,205</u> |
| Expenses: | | | | | | |
| General government | 258,014 | 259,803 | - | - | 258,014 | 259,803 |
| Public safety | 3,121 | 2,982 | - | - | 3,121 | 2,982 |
| Public works | 46,562 | 83,975 | - | - | 46,562 | 83,975 |
| Community development | 55,485 | 28,701 | - | - | 55,485 | 28,701 |
| Planning | 612 | 485 | - | - | 612 | 485 |
| Interest on debt | - | - | - | - | - | - |
| Water utility | - | - | 378,321 | 401,143 | 378,321 | 401,143 |
| Sewer utility | - | - | 297,829 | 260,601 | 297,829 | 260,601 |
| Sanitation utility | - | - | 63,345 | 59,702 | 63,345 | 59,702 |
| Total expenses | <u>363,794</u> | <u>375,946</u> | <u>739,495</u> | <u>721,446</u> | <u>1,103,289</u> | <u>1,097,392</u> |
| Increase (decr) in net assets | | | | | | |
| before transfers | 52,458 | 63,627 | (205,961) | (219,814) | (153,503) | (156,187) |
| Transfers | - | - | - | - | - | - |
| Change in net assets | <u>52,458</u> | <u>63,627</u> | <u>(205,961)</u> | <u>(219,814)</u> | <u>(153,503)</u> | <u>(156,187)</u> |
| Net assets - beginning | <u>1,242,241</u> | <u>1,178,614</u> | <u>12,114,114</u> | <u>12,333,928</u> | <u>13,356,355</u> | <u>13,512,542</u> |
| Net assets - ending | <u>\$ 1,294,699</u> | <u>\$ 1,242,241</u> | <u>\$ 11,908,153</u> | <u>\$ 12,114,114</u> | <u>\$ 13,202,852</u> | <u>\$ 13,356,355</u> |

Business-type activities. Business-type activities decreased the City's net assets by \$205,962. 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 \$365,161 while total fund balance reached \$369,071. 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 97% of total general fund expenditures, while total fund balance represents 98% 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.

The total net assets of the combined enterprise funds at the end of the year amounted to \$11,908,153. This balance is comprised of \$11,651,502 in net investment in capital assets, \$6,141 in restricted net assets, and \$250,510 in Unrestricted net assets. 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 \$621,930 and budgeted expenditures of \$621,930. The budget was not amended during the year.

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, 2022 amounts to \$15,766,692 (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 | Total |
|--------------------------|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Construction in progress | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Land | 118,000 | 118,000 | 75,756 | 75,756 | 193,756 | 193,756 |
| Water rights | - | - | 36,997 | 36,997 | 36,997 | 36,997 |
| Buildings | 451,759 | 469,584 | - | - | 451,759 | 469,584 |
| Improvements | 12,609 | 13,094 | - | - | 12,609 | 13,094 |
| Equipment | 43,849 | 8,637 | 104,782 | 128,609 | 148,631 | 137,246 |
| Infrastructure | 305,704 | 311,371 | 14,617,236 | 14,972,482 | 14,922,940 | 15,283,853 |
| Total capital assets | <u>\$ 931,921</u> | <u>\$ 920,686</u> | <u>\$ 14,834,771</u> | <u>\$ 15,213,844</u> | <u>\$ 15,766,692</u> | <u>\$ 16,134,530</u> |

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

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$3,183,268 secured solely by specific revenue (enterprise) sources (i.e., revenue bonds) and notes payable.

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-------------|--------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Water bond payable 2015B | - | - | 1,370,440 | 1,394,753 | 1,370,440 | 1,394,753 |
| Sewer bond payable 2015A | - | - | 74,000 | 86,000 | 74,000 | 86,000 |
| Sewer bond payable 2015B | - | - | 1,042,000 | 1,085,000 | 1,042,000 | 1,085,000 |
| Sewer bond payable 2015C | - | - | 696,828 | 708,606 | 696,828 | 708,606 |
| Total outstanding debt | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,183,268</u> | <u>\$ 3,274,359</u> | <u>\$ 3,183,268</u> | <u>\$ 3,274,359</u> |

During the fiscal year 2022 the City’s total outstanding debt decreased by \$91,091. This was a result of required principal payments during the year.

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 \$1,850,917, 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.

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, 2023 reflects a 2% change in budgeted revenues over the fiscal year ending June 30, 2022 budget.

Request for Information

This financial report is designed to provide a general overview of the 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.

TOWN OF EUREKA CITY

Statement of Net Assets

June 30, 2022

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 377,558 | \$ 213,684 | \$ 591,242 |
| Restricted Cash | 3,910 | - | 3,910 |
| Receivables: | | | |
| Accounts (Net of allowance) | - | 52,269 | 52,269 |
| Taxes | 111,392 | - | 111,392 |
| Intergovernmental | 21,387 | - | 21,387 |
| Other Assets | 124,776 | - | 124,776 |
| Net Pension Assets | 18,441 | 35,797 | 54,238 |
| Capital Assets (Net of accumulated depreciation): | | | |
| Land | 118,000 | 75,756 | 193,756 |
| Water Rights | - | 36,997 | 36,997 |
| Buildings | 451,759 | - | 451,759 |
| Improvements | 12,609 | - | 12,609 |
| Equipment and Systems | 43,849 | 104,782 | 148,631 |
| Infrastructure | 305,704 | 14,617,236 | 14,922,940 |
| Total Assets | 1,589,385 | 15,136,521 | 16,725,906 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related costs | 8,735 | 16,957 | 25,692 |
| Total deferred outflows of resources | 8,735 | 16,957 | 25,692 |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | 52,090 | 12,715 | 64,805 |
| Other Liabilities | 124,776 | - | 124,776 |
| Deposits | 1,205 | - | 1,205 |
| Unearned Revenue | 41,837 | - | 41,837 |
| Long Term Liabilities | | | |
| Due Within One Year | - | 92,188 | 92,188 |
| Due in More Than One Year | 8,735 | 3,091,080 | 3,099,815 |
| Total liabilities | 228,643 | 3,195,983 | 3,424,626 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Unearned property taxes levied for future years | 49,359 | - | 49,359 |
| Pension related costs | 25,419 | 49,342 | 74,761 |
| Total deferred outflows of resources | 74,778 | 49,342 | 124,120 |
| NET ASSETS | | | |
| Net investment in capital assets | 931,921 | 11,651,502 | 12,583,423 |
| Restricted | | | |
| Impact fees | 3,910 | 6,141 | 10,051 |
| Unrestricted | 358,868 | 250,510 | 609,378 |
| Total Net Assets | \$ 1,294,699 | \$ 11,908,153 | \$ 13,202,852 |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Activities
For the Year Ended June 30, 2022

| 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 | Primary Government Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 258,014 | \$ 77,723 | \$ - | \$ - | \$ (180,291) | \$ - | \$ (180,291) |
| Public Safety | 3,121 | - | - | - | (3,121) | - | (3,121) |
| Public Works | 46,562 | 4,078 | 55,415 | 43,360 | 56,291 | - | 56,291 |
| Community Development | 55,485 | 12,024 | - | - | (43,461) | - | (43,461) |
| Planning | 612 | - | - | - | (612) | - | (612) |
| Total Governmental Activities | <u>363,794</u> | <u>93,825</u> | <u>55,415</u> | <u>43,360</u> | <u>(171,194)</u> | <u>-</u> | <u>(171,194)</u> |
| Business-type Activities: | | | | | | | |
| Water | 378,321 | 286,342 | - | 1,047 | - | (90,932) | (90,932) |
| Sewer | 297,830 | 176,944 | - | 5,094 | - | (115,792) | (115,792) |
| Sanitation | 63,345 | 64,072 | - | - | - | 727 | 727 |
| Total Business-type Activities | <u>739,496</u> | <u>527,358</u> | <u>-</u> | <u>6,141</u> | <u>-</u> | <u>(205,997)</u> | <u>(205,997)</u> |
| Total Primary Government | <u>\$ 1,103,290</u> | <u>\$ 621,183</u> | <u>\$ 55,415</u> | <u>\$ 49,501</u> | <u>\$ (171,194)</u> | <u>\$ (205,997)</u> | <u>\$ (377,191)</u> |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | \$ 62,968 | \$ - | \$ 62,968 |
| General Sales and Use Tax | | | | | 120,346 | - | 120,346 |
| Franchise Tax | | | | | 40,024 | - | 40,024 |
| Unrestricted Investment Earnings | | | | | 314 | 35 | 349 |
| Total General Revenues | | | | | <u>223,652</u> | <u>35</u> | <u>223,687</u> |
| Change in Net Assets | | | | | 52,458 | (205,962) | (153,504) |
| Net position- Beginning | | | | | 1,242,241 | 12,114,115 | 13,356,356 |
| Net position - Ending | | | | | <u>\$ 1,294,699</u> | <u>\$ 11,908,153</u> | <u>\$ 13,202,852</u> |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Balance Sheet Governmental Funds June 30, 2022

| | General Fund |
|--|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 377,558 |
| Restricted cash | 3,910 |
| Taxes receivable | 111,392 |
| Intergovernmental receivable | 21,387 |
| Total assets | <u>\$ 514,247</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable and accrued liabilities | \$ 52,090 |
| Deposits | 1,205 |
| Total liabilities | <u>53,295</u> |
| Deferred inflows of resources | |
| Unearned property tax-levied for future years. | 49,341 |
| Unearned Grant Revenue | 41,837 |
| Unavailable property taxes - delinquent | 703 |
| Total deferred inflows of resources | <u>91,881</u> |
| Fund Balances: | |
| Restricted | |
| Roads | - |
| Impact fees | 3,910 |
| Unassigned | 365,161 |
| Total fund balances | <u>369,071</u> |
| Total liabilities, deferred inflows of resources & fund balances | <u>\$ 514,247</u> |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

| | <u>General Fund</u> |
|---|--------------------------|
| REVENUES | |
| Taxes | \$ 222,635 |
| Licenses and permits | 44,910 |
| Intergovernmental | 98,464 |
| Charges for services | 16,102 |
| Impact Fees | 3,910 |
| Miscellaneous | 29,528 |
| Total revenues | <u>415,549</u> |
| EXPENDITURES | |
| Current: | |
| General government | 281,390 |
| Public safety | 3,121 |
| Public works | 36,107 |
| Planning and zoning | 612 |
| Community development | 55,000 |
| Debt service: | |
| Total expenditures | <u>376,230</u> |
| Excess (deficit) of revenues over (under) Expenditures | <u>39,319</u> |
| Other financing sources (uses) | |
| Total other financing sources (uses) | <u>-</u> |
| Net change in fund balance | 39,319 |
| Fund balances - beginning of year | <u>329,752</u> |
| Fund balances - end of year | <u><u>\$ 369,071</u></u> |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Balance Sheet Reconciliation to

Statement of Net Assets

June 30, 2022

Total fund balances - governmental fund types: \$ 369,071

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 | 714,363 | |
| Improvements | 29,555 | |
| Equipment | 134,431 | |
| Infrastructure | 1,963,539 | |
| Less Accumulated Depreciation | <u>(2,027,967)</u> | |
| | | 931,921 |

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

| | | |
|---------------------------|---------------|--------|
| Delinquent Property Taxes | 684 | |
| Pension related costs | <u>27,176</u> | |
| | | 27,860 |

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.

| | | |
|-------------------|--|---------|
| Pension Liability | | (8,735) |
|-------------------|--|---------|

Deferred inflows of resources related to pensions do not require current resources and are not reported in the governmental funds

(25,418)

Net assets of government activities

\$ 1,294,699

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, 2022

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

| | | |
|---|----|--------|
| Net changes in fund balances - total governmental funds | \$ | 39,319 |
|---|----|--------|

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 | \$ | 40,000 | |
| Contribution of Capital Assets to Enterprise Funds | | - | |
| Depreciation Expense | | (28,765) | |
| | | | 11,235 |

Proceeds from the sale of capital assets are reported as revenues in the governmental fund statements, however, the gain or loss on the sale is reported in the Statement of activities. Thus the change in net position is adjusted for the gain or loss on sale of capital assets.

-

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.

| | | | |
|------------------|--|--|-------|
| Pension expenses | | | 1,201 |
|------------------|--|--|-------|

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

| | | | |
|------------------------------------|--|-----|-----|
| Delinquent Taxes | | 703 | |
| Withheld Sales and Franchise Taxes | | - | |
| | | | 703 |

| | | |
|---|----|--------|
| Change in net assets of governmental activities | \$ | 52,458 |
|---|----|--------|

TOWN OF EUREKA CITY

Statement of Net Assets

Proprietary Funds

June 30, 2022

| | Business-Type Activities - Enterprise | | | |
|--|---------------------------------------|--------------|------------|---------------|
| | Water | Sewer | Sanitation | Total |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 162,465 | \$ 51,219 | \$ 213,684 |
| Due from other funds | - | 138,673 | - | 138,673 |
| Receivables | | | | |
| Accounts (Net) | 30,768 | 15,971 | 5,530 | 52,269 |
| Total current assets | 30,768 | 317,109 | 56,749 | 404,626 |
| Noncurrent assets: | | | | |
| Net pension asset | 18,441 | 17,356 | - | 35,797 |
| Capital assets | 8,954,697 | 8,674,952 | 43,000 | 17,672,649 |
| Less: Accumulated depreciation | (1,396,219) | (1,398,660) | (43,000) | (2,837,879) |
| Total noncurrent assets | 7,576,919 | 7,293,648 | - | 14,870,567 |
| Total assets | 7,607,687 | 7,610,757 | 56,749 | 15,275,193 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related costs | 8,735 | 8,222 | - | 16,957 |
| Total deferred outflows of resources | 8,735 | 8,222 | - | 16,957 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 7,118 | 715 | 4,881 | 12,714 |
| Due to other funds | 138,673 | - | - | 138,673 |
| Current portion of long-term debt | 25,052 | 67,136 | - | 92,188 |
| Total current liabilities | 170,843 | 67,851 | 4,881 | 243,575 |
| Noncurrent liabilities: | | | | |
| Net pension liability | - | - | - | - |
| Long term debt | 1,345,388 | 1,745,692 | - | 3,091,080 |
| Total noncurrent liabilities | 1,345,388 | 1,745,692 | - | 3,091,080 |
| Total liabilities | 1,516,231 | 1,813,543 | 4,881 | 3,334,655 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related costs | 25,419 | 23,923 | - | 49,342 |
| Total deferred inflows of resources | 25,419 | 23,923 | - | 49,342 |
| Net Assets: | | | | |
| Net investment in capital assets | 6,188,038 | 5,463,464 | - | 11,651,502 |
| Restricted - impact fees | 1,047 | 5,094 | - | 6,141 |
| Unrestricted | (114,313) | 312,955 | 51,868 | 250,510 |
| Total net assets | \$ 6,074,772 | \$ 5,781,513 | \$ 51,868 | \$ 11,908,153 |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------------|------------------|----------------------|
| | Water | Sewer | Sanitation | Total |
| Operating revenues: | | | | |
| Charges for services | \$ - | \$ - | \$ 64,072 | \$ 64,072 |
| Charges for services pledged as security on revenue bonds | 286,342 | 176,944 | - | 463,286 |
| Total operating revenues | <u>286,342</u> | <u>176,944</u> | <u>64,072</u> | <u>527,358</u> |
| Operating expenses: | | | | |
| Salaries and wages | 39,772 | 41,172 | 2,615 | 83,559 |
| Purchased services | 85,758 | 32,671 | 60,410 | 178,839 |
| Supplies and materials | 17,365 | 5,239 | 320 | 22,924 |
| Depreciation and amortization | 193,919 | 197,154 | - | 391,073 |
| Total operating expenses | <u>336,814</u> | <u>276,236</u> | <u>63,345</u> | <u>676,395</u> |
| Operating income | <u>(50,472)</u> | <u>(99,292)</u> | <u>727</u> | <u>(149,037)</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest revenue | 24 | 11 | - | 35 |
| Interest expense and fiscal charges | (41,507) | (21,594) | - | (63,101) |
| Total nonoperating revenues (expenses) | <u>(41,483)</u> | <u>(21,583)</u> | <u>-</u> | <u>(63,066)</u> |
| Net Income (loss) before Contributions and Transfers and Transfers | <u>(91,955)</u> | <u>(120,875)</u> | <u>727</u> | <u>(212,103)</u> |
| Contributions and transfers | | | | |
| Impact fees | 1,047 | 5,094 | - | 6,141 |
| Total Contributions and Transfers | <u>1,047</u> | <u>5,094</u> | <u>-</u> | <u>6,141</u> |
| Change in net assets | (90,908) | (115,781) | 727 | (205,962) |
| Total net position beginning | 6,165,680 | 5,897,294 | 51,141 | 12,114,115 |
| Total net assets - ending | <u>\$ 6,074,772</u> | <u>\$ 5,781,513</u> | <u>\$ 51,868</u> | <u>\$ 11,908,153</u> |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2022

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-------------------|------------------|-------------------|
| | Water | Sewer | Sanitation | Total BTAs |
| Cash Flows From Operating Activities | | | | |
| Receipts from customers | \$ 285,191 | \$ 177,557 | \$ 64,294 | \$ 527,042 |
| Payments to suppliers | (102,143) | (41,367) | (60,371) | (203,881) |
| Payments to employees | (55,247) | (50,523) | (2,615) | (108,385) |
| Internal balances | (57,052) | 57,052 | - | - |
| Net cash provided (used) by operating activities | <u>70,749</u> | <u>142,719</u> | <u>1,308</u> | <u>214,776</u> |
| Cash Flows From Noncapital Financing Activities | - | - | - | - |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Impact fees | 1,047 | 5,094 | - | 6,141 |
| Principal paid on capital debt | (24,313) | (66,778) | - | (91,091) |
| Purchase of capital assets | (6,000) | (6,000) | - | (12,000) |
| Interest paid on capital debt | (41,507) | (21,594) | - | (63,101) |
| Net cash provided (used) by capital and related financing activities | <u>(70,773)</u> | <u>(89,278)</u> | <u>-</u> | <u>(160,051)</u> |
| Cash Flows From Investing Activities | | | | |
| Interest and dividends received | 24 | 11 | - | 35 |
| Net increase (decrease) in cash and cash equivalents | - | 53,452 | 1,308 | 54,760 |
| Cash and cash equivalents - beginning | - | 109,013 | 49,911 | 158,924 |
| Cash and cash equivalents - ending | <u>\$ -</u> | <u>\$ 162,465</u> | <u>\$ 51,219</u> | <u>\$ 213,684</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (50,472) | \$ (99,292) | \$ 727 | \$ (149,037) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation expense | 193,919 | 197,154 | - | 391,073 |
| (Increase) decrease in accounts receivable | (1,151) | 613 | 222 | (316) |
| (Increase) decrease in due from other funds | - | 57,052 | - | 57,052 |
| (Increase) decrease in net pension assets | (18,441) | (17,356) | - | (35,797) |
| (Increase) decrease in deferred outflows | (1,661) | (1,563) | - | (3,224) |
| Increase (decrease) in accounts payable | 980 | (3,457) | 359 | (2,118) |
| Increase (decrease) in unearned revenue | (5,540) | - | - | (5,540) |
| Increase (decrease) in due to other funds | (57,052) | - | - | (57,052) |
| Increase (decrease) in net pension liability | (1,697) | (1,598) | - | (3,295) |
| Increase (decrease) in deferred inflows | 11,864 | 11,166 | - | 23,030 |
| Total adjustments | <u>121,221</u> | <u>242,011</u> | <u>581</u> | <u>363,813</u> |
| Net cash provided (used) by operating activities | <u>\$ 70,749</u> | <u>\$ 142,719</u> | <u>\$ 1,308</u> | <u>\$ 214,776</u> |

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Eureka Town (the City) 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 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 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, 2022

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 City 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 City reports the following major proprietary funds:

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. City 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 City'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, 2022

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 City 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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Leases

Leases. - During the year ended June 30, 2022, the City adopted Governmental Accounting Standards Board Statement No. 87, Leases. The new standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The beginning fund balances and net position were not affected by the implementation of GASB 87.

Management of the City evaluated whether there are leases within the Town and determined that there were no leases that needed to be recorded under GASB 87 during 2022.

F. Deferred Outflows / Inflows of Resources

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 Town has deferred outflows of resources related to pension costs

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 Town 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, 2019 for the 2018-2019 Fiscal year. The enterprise funds report deferred inflows of resources related to pension costs.

G. 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, 2022

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

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 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.

H. Pensions

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

I. Fund Equity

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 Town is bound to honor them. The Town 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, impact fees, and unspent B&C road funds.
- **Unassigned.** Residual balances in the Governmental Funds are classified as unassigned.

I. 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.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

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 City 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 City council in May, the City 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 City 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 City clerk, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City 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.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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 City modified the budget using the above procedures.

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City’s carrying amount of deposits was \$599,551.31 and the balance in the City’s bank account and the cash on hand was \$595,152, 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, 2022, the Town’s custodial credit risk for deposits were as follows:

| Depository Account | Custodial Credit Risk | Balance June 30, 2022 |
|----------------------|--------------------------------|--------------------------|
| Checking and Savings | Insured and Collateralized | \$ 250,000 |
| Checking and Savings | Uninsured and Uncollateralized | 349,551 |
| Total Deposits | | \$ 599,551 |

B. Investments

The City’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, 2022, the City’s investments are treated as cash equivalents. The City had the following investments:

| Investments | Investment Maturities (in Years) | | | | Quality Ratings |
|-------------------------|----------------------------------|------|------|-----------------|--------------------|
| | Less Than 1 | 1-5 | 6-10 | More than 10 | |
| Certificates of Deposit | 26,117 | - | - | - | Unrated |
| Total Investments | \$ 26,117 | \$ - | \$ - | \$ - | |

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

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

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

At June 30, 2022 the City had the following recurring fair value measurements:

| Investments by fair value level | 6/30/2022 | Fair Value Measurements Using | | |
|--|-----------|-------------------------------|-----------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Certificates of Deposit | \$ - | \$ - | \$ 26,117 | \$ - |
| Total debt securities | \$ - | \$ - | \$ 26,117 | \$ - |
| Total investments measured at fair value | \$ 26,117 | | | |

Investments – Interest Rate Risk. The City 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 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 City follows the requirements of the Utah Money Management Act (the Act) in handling its depository and investing transactions. The City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City 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 City’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 City considers the actions of the council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The PTIF fund is unrated.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 | \$ 111,392 | \$ - | \$ - | - | \$ 111,392 |
| Intergovernmental | 21,387 | - | - | - | 21,387 |
| Accounts | - | 48,019 | 24,926 | 8,630 | 81,575 |
| Allowance for uncollectible accounts | - | (17,251) | (8,955) | (3,100) | (29,306) |
| Total receivables | <u>\$ 132,779</u> | <u>\$ 30,768</u> | <u>\$ 15,971</u> | <u>\$ 5,530</u> | <u>\$ 185,048</u> |

Governmental funds report *deferred inflows* 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> |
|--|--------------------|------------------|
| Grant Proceeds | \$ - | \$ 41,837 |
| Property taxes receivable (general fund) | 49,359 | 49,359 |
| Total Unavailable and Unearned revenues | <u>\$ 49,359</u> | <u>\$ 91,196</u> |

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances and transfers are created to support temporary cash deficiencies in the applicable funds. In 2022 there was an internal balance of \$138,673 between the water fund and the sewer funds.

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, 2022

NOTE 7 - CAPITAL ASSETS

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

| Primary Government | Ending Balance | Increases | Transfers | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|-------------|----------------------|
| Governmental activities: | | | | | |
| 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>-</u> | <u>118,000</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 714,363 | - | - | - | 714,363 |
| Improvements | 29,555 | - | - | - | 29,555 |
| Machinery and equipment | 94,431 | 40,000 | - | - | 134,431 |
| Infrastructure | 1,963,539 | - | - | - | 1,963,539 |
| Total capital assets being depreciated | <u>2,801,888</u> | <u>40,000</u> | <u>-</u> | <u>-</u> | <u>2,841,888</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 244,779 | 17,825 | - | - | 262,604 |
| Improvements | 16,461 | 485 | - | - | 16,946 |
| Machinery and equipment | 85,794 | 4,788 | - | - | 90,582 |
| Infrastructure | 1,652,168 | 5,667 | - | - | 1,657,835 |
| Total accumulated depreciation | <u>1,999,202</u> | <u>28,765</u> | <u>-</u> | <u>-</u> | <u>2,027,967</u> |
| Total capital assets, being depreciated, net | <u>802,686</u> | <u>11,235</u> | <u>-</u> | <u>-</u> | <u>813,921</u> |
| Governmental activities capital assets, net | <u>\$ 920,686</u> | <u>\$ 11,235</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 931,921</u> |
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in Progress | \$ - | \$ - | \$ - | \$ - | \$ - |
| Land | 75,756 | - | - | - | 75,756 |
| Water Rights | 36,997 | - | - | - | 36,997 |
| Total capital assets not being depreciated | <u>112,753</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>112,753</u> |
| Capital assets being depreciated: | | | | | |
| Improvements | 17,267,558 | - | - | - | 17,267,558 |
| Machinery and equipment | 280,339 | 12,000 | - | - | 292,339 |
| Total capital assets being depreciated | <u>17,547,897</u> | <u>12,000</u> | <u>-</u> | <u>-</u> | <u>17,559,897</u> |
| Less accumulated depreciation for: | | | | | |
| Improvements | 2,295,076 | 355,246 | - | - | 2,650,322 |
| Machinery and equipment | 151,730 | 35,827 | - | - | 187,557 |
| Total accumulated depreciation | <u>2,446,806</u> | <u>391,073</u> | <u>-</u> | <u>-</u> | <u>2,837,879</u> |
| Total capital assets, being depreciated, net | <u>15,101,091</u> | <u>(379,073)</u> | <u>-</u> | <u>-</u> | <u>14,722,018</u> |
| Business-type activities capital assets, net | <u>\$ 15,213,844</u> | <u>\$ (379,073)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,834,771</u> |

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

| | |
|---|-------------------|
| Governmental activities | |
| General government | \$ 17,825 |
| Public safety | - |
| Public works | 10,455 |
| Community development | 485 |
| Total depreciation expense governmental activities | <u>\$ 28,765</u> |
| Business-type activities | |
| Water | \$ 193,919 |
| Sewer | 197,154 |
| Sanitation | - |
| Total depreciation expense business-type activities | <u>\$ 391,073</u> |

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - LONG-TERM DEBT

Bonds and notes payable at June 30, 2022 consist of the following:

- A) \$1,511,000 Parity Water Revenue Bond Series 2015B. This bond requires monthly installments of principal and interest due beginning April 4, 2016 through November 4, 2055, bearing an interest rate of 3%. This bond is a reimbursement bond and will be incurred as the funds are spent on the project. Debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 25,052 | \$ 40,767 | \$ 65,819 |
| 2024 | 25,814 | 40,006 | 65,820 |
| 2025 | 26,600 | 39,220 | 65,820 |
| 2026 | 27,409 | 38,411 | 65,820 |
| 2027 | 28,242 | 37,578 | 65,820 |
| 2028-2032 | 154,632 | 174,468 | 329,100 |
| 3033-2037 | 179,623 | 149,477 | 329,100 |
| 2038-2042 | 208,652 | 120,448 | 329,100 |
| 2043-2047 | 242,037 | 87,063 | 329,100 |
| 2048-2052 | 280,763 | 48,337 | 329,100 |
| 2052-2055 | 171,616 | 7,208 | 178,824 |
| | <u>\$ 1,370,440</u> | <u>\$ 782,983</u> | <u>\$ 2,153,423</u> |

- C) \$354,000 Parity Wastewater Revenue Bond Series 2015A. This bond requires annual installments of principal October 1, 2016 through October 1, 2045, bearing no interest. Debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|------------------|
| 2023 | \$ 12,000 | \$ - | \$ 12,000 |
| 2024 | 12,000 | - | 12,000 |
| 2025 | 12,000 | - | 12,000 |
| 2026 | 12,000 | - | 12,000 |
| 2027 | 12,000 | - | 12,000 |
| 2028 | 14,000 | - | 14,000 |
| | <u>\$ 74,000</u> | <u>\$ -</u> | <u>\$ 74,000</u> |

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - LONG-TERM DEBT (Continued)

D) \$1,300,000 Water Quality Wastewater Revenue Bond Series 2015B. This bond requires annual installments of principal October 1, 2016 through October 1, 2045, bearing no interest. Debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-----------------|---------------------|
| 2023 | \$ 43,000 | \$ - | \$ 43,000 |
| 2024 | 43,000 | - | 43,000 |
| 2025 | 43,000 | | 43,000 |
| 2026 | 43,000 | | 43,000 |
| 2027 | 43,000 | | 43,000 |
| 2028-2032 | 215,000 | - | 215,000 |
| 2033-2037 | 216,000 | - | 216,000 |
| 2038-2042 | 220,000 | - | 220,000 |
| 2043-2046 | 176,000 | - | 176,000 |
| | <u>\$ 1,042,000</u> | <u>\$ -</u> | <u>\$ 1,042,000</u> |

E) \$766,000 Parity Wastewater Revenue Bond Series 2015C. This bond requires monthly installments of principal and interest due beginning April 4, 2016 through December 4, 2055, bearing an interest rate of 3%. This bond is a reimbursement bond and will be incurred as the funds are spent on the project. Debt service requirements to maturity are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-------------------|---------------------|
| 2023 | \$ 12,136 | \$ 20,770 | \$ 32,906 |
| 2024 | 12,505 | 20,401 | 32,906 |
| 2025 | 12,866 | 20,020 | 32,886 |
| 2026 | 13,278 | 19,628 | 32,906 |
| 2027 | 13,681 | 19,225 | 32,906 |
| 2028-2032 | 74,907 | 89,622 | 164,529 |
| 2033-2037 | 87,013 | 77,516 | 164,529 |
| 2038-2042 | 101,081 | 63,452 | 164,533 |
| 2043-2047 | 117,412 | 47,116 | 164,528 |
| 2048-2052 | 136,388 | 28,141 | 164,529 |
| 2053-2056 | 115,561 | 16,062 | 131,623 |
| | <u>\$ 696,828</u> | <u>\$ 421,953</u> | <u>\$ 1,118,781</u> |

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - 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> |
|--------------------|---------------------|---------------------|---------------------|
| 2021 | \$ - | \$ - | \$ - |
| 2022 | - | - | - |
| 2023 | 92,188 | 61,537 | 153,725 |
| 2024 | 93,319 | 60,407 | 153,726 |
| 2025 | 94,466 | 59,240 | 153,706 |
| 2026-2030 | 458,539 | 264,090 | 722,629 |
| 2031-2035 | 482,636 | 226,993 | 709,629 |
| 2036-2040 | 529,733 | 183,900 | 713,633 |
| 2041-2045 | 535,449 | 134,179 | 669,628 |
| 2046-2050 | 417,151 | 76,478 | 493,629 |
| 2051-2055 | 287,177 | 23,270 | 310,447 |
| | <u>\$ 2,990,658</u> | <u>\$ 1,090,094</u> | <u>\$ 4,080,752</u> |

Changes in long-term debt

| <u>Governmental Activities</u> | <u>6/30/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2022</u> | <u>Due in one year</u> |
|--------------------------------|------------------|------------------|------------------|------------------|----------------------------|
| Long Term Liabilities: | | | | | |
| Net Pension Liability | \$ 1,698 | \$ 7,037 | \$ - | \$ 8,735 | \$ - |
| Total governmental activities | <u>\$ 1,698</u> | <u>\$ 7,037</u> | <u>\$ -</u> | <u>\$ 8,735</u> | <u>\$ -</u> |

Changes in long-term debt

| <u>Business Type Activities</u> | <u>6/30/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2022</u> | <u>Due in one year</u> |
|---------------------------------|---------------------|------------------|------------------|---------------------|----------------------------|
| Bonds payable: | | | | | |
| Water bond payable 2015B | \$ 1,394,753 | \$ - | \$ 24,313 | \$ 1,370,440 | \$ 23,595 |
| Sewer bond payable 2015A | 86,000 | - | 12,000 | 74,000 | 12,000 |
| Sewer bond payable 2015B | 1,085,000 | - | 43,000 | 1,042,000 | 43,000 |
| Sewer bond payable 2015C | 708,606 | - | 11,778 | 696,828 | 11,430 |
| Total bonds payable | <u>3,274,359</u> | <u>-</u> | <u>91,091</u> | <u>3,183,268</u> | <u>90,025</u> |
| Long term liabilities: | | | | | |
| Net Pension Liability | 3,295 | 13,670 | | 16,965 | - |
| Total business type activities | <u>\$ 3,277,654</u> | <u>\$ 13,670</u> | <u>\$ 91,091</u> | <u>\$ 3,200,233</u> | <u>\$ 90,025</u> |

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The City has no restricted fund balance amounts for unspent B&C road funds designed for maintenance of the City’s roads. During the fiscal year the City spent the restricted funds on snow removal vehicles for their roads.

The City has a restricted fund balance and restricted net position in the amount of \$10,051 for unspent impact fees.

NOTE 10 – STATE RETIREMENT PLANS

Description of plans – Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirements Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory 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 System (URS) is established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The URS’s defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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 which can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake Town, Utah 84102 or visiting the website: www.urs.org

Benefits Provided – URS Provides retirement, disability, and death benefits. Retirement benefits are as follows:

| System | Final average salary | Years of service required and/or age eligible for benefit | Benefit percent per year of service | COLA** |
|--------------------------------|-----------------------------|---|--|---------------|
| Noncontributory System | Highest 3 years | 30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65 | 2.0% per year all years | Up to 4% |
| Tier 2 Public Employees System | Highest 5 years | 35 years any age 20 years age 60* 10 years age 62* 4 years age 65 | 1.5% per year all years | Up to 2.5% |

**with actuarial reductions*

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – STATE RETIREMENT PLANS (Continued)

Contributions – As a condition of participation in the plans, 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 are as follows:

| | <u>Employee</u> | <u>Employer</u> | <u>Employer 401(k)</u> |
|--|-----------------|-----------------|------------------------|
| Contributory System | | | |
| 111 - Local Governmental Division Tier 2 | N/A | 15.66 | 1.150% |
| Noncontributory | | | |
| 15 - Local Governmental Division Tier 1 | N/A | 18.47 | N/A |
| Tier 2 DC Only | | | |
| 211-Local Government | N/A | 6.69 | 10% |

For the fiscal year ended June 30, 2022, the employer contributions to the System were as follows:

| <u>System</u> | <u>Employer Contributions</u> | <u>Employee Contributions</u> |
|--------------------------------|-------------------------------|-------------------------------|
| Non Contributory System | \$ 16,755 | \$ - |
| Tier 2 Public Employees System | 5,141 | |
| Total Contributions | <u>\$ 21,896</u> | <u>\$ -</u> |

Pension assets, liabilities, expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2022 the City reported a net pension asset of \$54,329 and a net pension liability of \$0

| | <u>Net Pension</u> | | <u>Proportionate Share</u> | <u>Proportionate Share</u> | <u>Change</u> |
|-----------------------------------|--------------------|------------------------------|----------------------------|----------------------------|-------------------|
| | <u>Asset</u> | <u>Net Pension Liability</u> | <u>Share</u> | <u>December 31, 2017</u> | <u>(Decrease)</u> |
| Noncontributory System | \$ 53,575 | \$ - | 0.0093546% | 0.0090812% | 0.0000912% |
| Tier 2 Public Employees Sytem | 664 | - | 0.0015680% | 0.0016890% | -0.0001129% |
| Total Net Pension Asset/Liability | <u>\$ 54,239</u> | <u>\$ -</u> | | | |

The net pension asset and liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2021 and rolled-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 Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2022, the City recognized pension expense of (\$7,328).

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – STATE RETIREMENT PLANS (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,871 | \$ 512 |
| Changes in assumptions | 3,362 | 6 |
| Net difference between projected and actual earnings on the pension plan investments | - | 15,811 |
| Changes in proportion and differences between contributions and proportionate shares of contributions | 1,693 | 7,733 |
| Contributions subsequent to the measurement date | 9,850 | - |
| Total | \$ 17,776 | \$ 24,062 |

\$11,386 was reported as deferred outflows of resources related to pensions resulting from contributions made prior to the fiscal year end, but subsequent to the measurement date of December 31, 2021. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Deferred Outflows (Inflows) of Resources |
|----------------------------|---|
| 2020 | \$ (3,789) |
| 2021 | (6,501) |
| 2022 | (71) |
| 2023 | (5,988) |
| 2024 | 27 |
| Thereafter | 187 |

Actuarial assumptions – The total pension liability in the December 31, 2021 actuarial valuation as determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.25-9.75 percent, average, including inflation |
| Investment rate of return | 6.85 percent, net of pension plan investment expenses, 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-201 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 – STATE RETIREMENT PLANS (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method which provides 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Expected Return Arithmetic Basis | |
|---------------------------|------------------------------------|----------------------------------|--|
| | | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity securities | 40% | 6.15% | 2.46% |
| Debt securities | 20% | 0.40% | 0.08% |
| Real assets | 13% | 5.75% | 0.86% |
| Private equity | 9% | 9.95% | 0.90% |
| Absolute return | 18% | 2.85% | 0.46% |
| Cash and cash equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 4.75% |
| | Inflation | | 2.50% |
| | Expected arithmetic nominal return | | 7.25% |

The 6.85% 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%. 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, actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95% to 6.85 % from the prior year.

NOTE 10 – STATE RETIREMENT PLANS (Continued)

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

| Proportion Share of | 1% Decrease (5.85%) | Discount Rate (6.85%) | 1% Increase (7.85%) |
|-------------------------------|------------------------|--------------------------|------------------------|
| Non Contributory System | \$ 28,809 | \$ (53,575) | \$ (122,308) |
| Tier 2 Puble Employees System | 3,954 | (664) | (4,209) |
| Total | <u>\$ 32,763</u> | <u>\$ (54,239)</u> | <u>\$ (126,517)</u> |

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

Defined Contribution Savings Plan

The defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 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.

The Town of Eureka Town City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401 (k) plan
- 457 (b) plan

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|------------------------|-------------|-------------|-------------|
| 401 (k) | | | |
| Employer Contributions | \$ 198 | \$ 264 | \$ 264 |
| Employee Contributions | \$ - | \$ - | \$ - |
| 457(b) Plan | | | |
| Employer Contributions | \$ - | \$ - | \$ - |
| Employee Contributions | \$ 3,900 | \$ 3,900 | \$ 3,900 |

NOTE 11 - LITIGATION

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 12 - 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 14 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through 5/30/2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EUREKA CITY
 Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 June 30, 2022
 Last 10 Fiscal Years*

| <u>Fiscal Year</u> | <u>Proportion of the net liability (asset)</u> | <u>Proportionate share of the net pension liability (asset)</u> | <u>Covered payroll</u> | <u>Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|--------------------------------------|--|---|------------------------|---|---|
| Noncontributory System | | | | | |
| 2015 | 0.0100581% | \$ 43,675 | \$ 88,382 | 49.4% | 90.2% |
| 2016 | 0.0994730% | 56,287 | 88,604 | 63.50% | 87.80% |
| 2017 | 0.0099604% | 63,958 | 92,061 | 69.50% | 87.30% |
| 2018 | 0.0112682% | 49,369 | 104,586 | 47.20% | 91.90% |
| 2019 | 0.0090812% | 66,871 | 86,059 | 77.07% | 87.00% |
| 2020 | 0.0082173% | 30,970 | 75,889 | 40.81% | 93.70% |
| 2021 | 0.000092634 | 4,752 | 82,470 | 5.76% | 99.20% |
| 2022 | 0.0093546% | (53,575) | 84,877 | -63.12% | 108.70% |
| Tier 2 Public Employee System | | | | | |
| 2020 | 0.0008636% | \$ 194 | \$ 11,927 | 1.63% | 96.50% |
| 2021 | 0.0016809% | 242 | 26,885 | 0.90% | 98.30% |
| 2022 | 0.00001568 | (664) | 29105 | 2.28% | 103.8% |

* The amounts presented for each fiscal year were determined as of December 31. In accordance with GASB 68, until a full 10-year trend is compiled, information is presented for those years for which information is available.

TOWN OF EUREKA CITY

Required Supplementary Information

Schedule of Contributions

June 30, 2022

Last 10 Fiscal Years*

| | As of fiscal year ended June 30, | Actuarial determined contributions | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Covered Employee payroll | Contributions as a percentage of covered employee payroll |
|--------------------------------------|-------------------------------------|--|--|--|--------------------------------|--|
| Noncontributory System | 2014 | \$ 15,139 | \$ 15,139 | \$ - | \$ 87,557 | 17.29% |
| | 2015 | 16,295 | 16,295 | - | 88,226 | 18.47% |
| | 2016 | 16,769 | 16,769 | - | 90,791 | 18.47% |
| | 2017 | 17,071 | 17,071 | - | 92,426 | 18.47% |
| | 2018 | 18,531 | 18,531 | - | 100,328 | 18.47% |
| | 2019 | 13,204 | 13,204 | - | 71,490 | 18.47% |
| | 2020 | 15,114 | 15,114 | - | 81,829 | 18.47% |
| | 2021 | 16,142 | 16,142 | - | 87,395 | 18.47% |
| | 2022 | 16,755 | 16,755 | - | 90,714 | 18.47% |
| Tier 2 Public Employee System | 2020 | \$ 4,018 | \$ 4,018 | \$ - | \$ 25,658 | 15.66% |
| | 2021 | 4,693 | 4,693 | - | 29,706 | 15.80% |
| | 2022 | 5,141 | 5,141 | - | 31,988 | 16.07% |

* Contributions in the 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 81b. 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 issues.

See accompanying notes to the 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, 2022

| | Budgeted Amounts | | Actual Totals | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 206,500 | \$ 206,500 | \$ 222,635 | \$ 16,135 |
| Licenses and permits | 19,300 | 19,300 | 44,910 | 25,610 |
| Intergovernmental | 184,683 | 184,683 | 98,464 | (86,219) |
| Charges for services | 156,722 | 156,722 | 16,103 | (140,619) |
| Impact fees | - | - | 3,910 | 3,910 |
| Miscellaneous | 54,725 | 54,725 | 29,528 | (25,197) |
| Total revenues | 621,930 | 621,930 | 415,550 | (206,380) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 336,508 | 336,508 | 281,389 | 55,119 |
| Public safety | 6,500 | 6,500 | 3,121 | 3,379 |
| Public works | 166,652 | 166,652 | 36,108 | 130,544 |
| Planning and zoning | 2,450 | 2,450 | 612 | 1,838 |
| Community development | 109,820 | 109,820 | 55,000 | 54,820 |
| Total expenditures | 621,930 | 621,930 | 376,230 | 245,700 |
| Excess (deficit) of revenues over (under) expenditures | - | - | 39,320 | 39,320 |
| Other financing sources (uses) | | | | |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | - | - | 39,320 | 39,320 |
| Fund balances - beginning | 240,510 | 240,510 | 240,510 | - |
| Fund balances - ending | \$ 240,510 | \$ 240,510 | \$ 279,830 | \$ 39,320 |

TOWN OF EUREKA CITY
Notes to Required Supplementary Information
For the year ended June 30, 2022

NOTE 1 – Changes in assumptions

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability of as December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

NOTE 2 – Budgetary Information

Budgets for the general fund are adopted and presented on a basis consistent with generally accepted accounting principles.

OTHER REPORTS



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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

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

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 City 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, 2022, 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 May 30, 2023.

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.

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 Town'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 Town'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.

Gilbert & Stewart

GILBERT & STEWART
Provo, Utah 84601
Certified Public Accountants
May 30, 2023



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

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

Report on Compliance

We have audited Town of Eureka Town's compliance with the applicable 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, 2022.

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

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Government Fee's
- Cash Management
- Utah Retirement System
- Impact Fee's

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance

In our opinion, the Town of Eureka City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Town for the year ended June 30, 2022.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guide and which are described in our letter to management dated May 30, 2023 as item 2022-1. 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 findings 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

Management of the City 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 City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with 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 City's internal control over compliance.

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

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
Provo, Utah 84601
Certified Public Accountants
May 30, 2023