

TOWN OF EUREKA CITY

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

TOWN OF EUREKA CITY
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
 <u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
 Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of Balance Sheet to Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities.....	14
 Proprietary Funds	
Statement of Net Assets	15
Statement of Revenues, Expenses and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Notes to the Financial Statements	18-37
 <u>Required Supplementary Information</u>	
Schedule of the Proportionate Share of the Net Pension Liability	38
Schedule of Contributions – URS Pension Benefits	39
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual	40
Notes to the Required Supplementary Information	41
 <u>Other Reports</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with <i>Government Auditing Standards</i>	42-43
Independent Auditor's Report on Compliance and Report on Internal Control Over Compliance as Required by the State Compliance Audit Guide.....	44-45



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2022 on our consideration of Town of Eureka City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Eureka City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Certified Public Accountants

Provo, UT 84601

March 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Eureka City, we offer readers of Town of Eureka City's financial statements this narrative overview and analysis of the financial activities of Town of Eureka City for the fiscal year ended June 30, 2021.

Financial Highlights

- The total net position of the governmental activities of \$1,242,241 is composed of \$920,686 of investment in capital assets, and \$321,555 of unrestricted net assets. Total net assets decreased by \$62,627 from the prior year.
- As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$329,753. This entire amount of \$329,753 is unassigned in the general fund.
- In the enterprise (proprietary) funds, operating revenues increased by \$16,813. Corresponding operating expenses increased by \$290,054. The largest reason for this increase is the depreciation expense recorded for the newly finished water and sewer projects.
- In the enterprise (proprietary) funds, nonoperating revenues decreased by \$75,528 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 Town of Eureka City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Town of Eureka City is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Town of Eureka City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other

functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

Reporting the City's Most Significant Funds

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

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

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

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

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

Government-Wide Financial Analysis

Capitalized net assets may serve over time as a useful indicator of a government's financial position. In the case of Town of Eureka City, assets and deferred outflows exceed liabilities and deferred inflows by \$13,356,355.

One of the largest portions of Town of Eureka City's net assets (97%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 523,759	\$ 436,816	\$ 210,877	\$ 275,380	\$ 734,636	\$ 712,196
Capital assets	920,686	950,404	15,213,844	15,471,183	16,134,530	16,421,587
Total assets	<u>1,444,445</u>	<u>1,387,220</u>	<u>15,424,721</u>	<u>15,746,563</u>	<u>16,869,166</u>	<u>17,133,783</u>
Deferred outflows of resources						
Pension related costs	7,074	6,043	13,733	11,733	20,807	17,776
Total assets	<u>7,074</u>	<u>6,043</u>	<u>13,733</u>	<u>11,733</u>	<u>20,807</u>	<u>17,776</u>
Liabilities						
Long term Liabilities	1,698	10,596	3,277,654	3,384,952	3,279,352	3,395,548
Other liabilities	146,360	151,201	20,374	23,535	166,734	174,736
Total liabilities	<u>148,058</u>	<u>161,797</u>	<u>3,298,028</u>	<u>3,408,487</u>	<u>3,446,086</u>	<u>3,570,284</u>
Deferred inflows of resources						
Unearned property taxes -future years	47,665	44,671	-	-	47,665	44,671
Pension related costs	13,555	8,181	26,312	15,881	39,867	24,062
Total deferred inflows of resources	<u>61,220</u>	<u>52,852</u>	<u>26,312</u>	<u>15,881</u>	<u>87,532</u>	<u>68,733</u>
Net assets						
Invested in capital assets						
net of related debt	920,686	950,404	11,939,484	12,106,798	12,860,170	13,057,202
Restricted	-	-	-	-	-	-
Unrestricted	321,555	228,210	174,630	227,130	496,185	455,340
Total net assets	<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>

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 86,137	\$ 90,556	\$ 496,673	\$ 482,973	\$ 582,810	\$ 573,529
Operating grants & contrib.	118,626	50,767	-	-	118,626	50,767
Capital grants & contrib.	20,000	-	4,635	45,885	24,635	45,885
General revenues:						
Property taxes	68,413	48,163	-	-	68,413	48,163
Sales and use tax	108,402	96,409	-	-	108,402	96,409
Franchise tax	37,573	37,358	-	-	37,573	37,358
Other taxes	-	-	-	-	-	-
Unrestricted investmt. earn.	422	738	324	2,908	746	3,646
Loss on sale of Capital Assets	-	34,217	-	-	-	34,217
Intergovernmental revenue	-	-	-	-	-	-
Total revenues	439,573	358,208	501,632	531,766	941,205	889,974
Expenses:						
General government	259,803	297,947	-	-	259,803	297,947
Public safety	2,982	-	-	-	2,982	-
Public works	83,975	202,856	-	-	83,975	202,856
Community development	28,701	27,150	-	-	28,701	27,150
Planning	485	817	-	-	485	817
Interest on debt	-	-	-	-	-	-
Water utility	-	-	401,143	414,343	401,143	414,343
Sewer utility	-	-	260,601	233,208	260,601	233,208
Sanitation utility	-	-	59,702	59,559	59,702	59,559
Total expenses	375,946	528,770	721,446	707,110	1,097,392	1,235,880
Increase (decr) in net assets						
before transfers	63,627	(170,562)	(219,814)	(175,344)	(156,187)	(345,906)
Transfers	-	-	-	-	-	-
Change in net assets	63,627	(170,562)	(219,814)	(175,344)	(156,187)	(345,906)
Net assets - beginning	1,178,614	1,349,176	12,509,272	12,509,272	13,687,886	13,858,448
Net assets - ending	\$ 1,242,241	\$ 1,178,614	\$ 12,289,458	\$ 12,333,928	\$ 13,531,699	\$ 13,512,542

Business-type activities. Business-type activities decreased the City's net assets by \$219,814 . 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 \$329,753 while total fund balance reached \$329,753. 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 94% of total general fund expenditures, while total fund balance represents 94% of that same amount.

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

Unrestricted net assets of the combined enterprise funds at the end of the year amounted to \$174,630. The net investment in capital assets is \$11,939,484. 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 \$469,900 and budgeted expenditures of \$469,900. The budget was amended during the year. Budgeted revenues decreased by \$26,652, and budgeted expenses decreased by \$26,652.

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, 2021 amounts to \$16,134,530 (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
	2021	2020	2021	2020	2021	2020	
Construction in progress	\$ -	\$ -	\$ -	\$ 153,716	\$ -	\$ 153,716	
Land	118,000	118,000	75,756	75,756	193,756	193,756	
Water rights	-	-	36,997	36,997	36,997	36,997	
Buildings	469,584	487,612	-	-	469,584	487,612	
Improvements	13,094	13,579	-	-	13,094	13,579	
Equipment	8,637	14,175	128,609	66,922	137,246	81,097	
Infrastructure	311,371	317,038	14,972,482	15,137,792	15,283,853	15,454,830	
Total capital assets	<u>\$ 920,686</u>	<u>\$ 950,404</u>	<u>\$ 15,213,844</u>	<u>\$ 15,471,183</u>	<u>\$ 16,134,530</u>	<u>\$ 16,421,587</u>	

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

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$3,274,359 secured solely by specific revenue (enterprise) sources (i.e., revenue bonds) and notes payable.

	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Water bond payable 2015B	-	-	1,394,753	1,418,348	1,394,753	1,418,348	
Sewer bond payable 2015A	-	-	86,000	98,000	86,000	98,000	
Sewer bond payable 2015B	-	-	1,085,000	1,128,000	1,085,000	1,128,000	
Sewer bond payable 2015C	-	-	708,606	720,036	708,606	720,036	
Total outstanding debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,274,359</u>	<u>\$ 3,364,384</u>	<u>\$ 3,274,359</u>	<u>\$ 3,364,384</u>	

During the fiscal year 2020 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 \$983,340, 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, 2022 reflects a 32% change in budgeted revenues over the fiscal year ending June 30, 2021 budget.

Request for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF EUREKA CITY

Statement of Net Assets

June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 315,402	\$ 158,924	\$ 474,326
Restricted Cash	-	-	-
Receivables:			
Accounts (Net of allowance)	-	51,953	51,953
Taxes	83,581	-	83,581
Intergovernmental	-	-	-
Other Assets	124,776	-	124,776
Capital Assets (Net of accumulated depreciation):			
Construction in Progress	-	-	0
Land	118,000	75,756	193,756
Water Rights	-	36,997	36,997
Buildings	469,584	-	469,584
Improvements	13,094	-	13,094
Equipment and Systems	8,637	128,609	137,246
Infrastructure	311,371	14,972,482	15,283,853
Total Assets	<u>1,444,445</u>	<u>15,424,721</u>	<u>16,869,166</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related costs	7,074	13,733	20,807
Total deferred outflows of resources	<u>7,074</u>	<u>13,733</u>	<u>20,807</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	20,429	14,834	35,263
Other Liabilities	124,776	-	124,776
Deposits	1,155	-	1,155
Accrued Interest Payable	-	-	-
Unearned Revenue	-	5,540	5,540
Long Term Liabilities			
Due Within One Year	-	91,091	91,091
Due in More Than One Year	1,698	3,186,563	3,188,261
Total liabilities	<u>148,058</u>	<u>3,298,028</u>	<u>3,446,086</u>
DEFERRED INFLOW OF RESOURCES			
Unearned property taxes levied for future years	47,665	-	47,665
Pension related costs	13,555	26,312	39,867
Total deferred outflows of resources	<u>61,220</u>	<u>26,312</u>	<u>87,532</u>
NET ASSETS			
Net investment in capital assets	920,686	11,939,484	12,860,170
Restricted			
C Roads	-	-	-
Unrestricted	321,555	174,630	496,185
Total Net Assets	<u>\$ 1,242,241</u>	<u>\$ 12,114,114</u>	<u>\$ 13,356,355</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
 Statement of Activities
 For the Year Ended June 30, 2021

Function/Programs	Program Revenues				Net (Expense) Rev & Chgs in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 259,803	\$ 74,120	\$ -	\$ -	\$ (185,683)	\$ -	\$ (185,683)	
Public Safety	2,982	-	-	-	(2,982)	-	(2,982)	
Public Works	83,975	2,848	118,626	20,000	57,499	-	57,499	
Community Development	28,701	9,169	-	-	(19,532)	-	(19,532)	
Planning	485	-	-	-	(485)	-	(485)	
Interest on Long-term Debt	-	-	-	-	-	-	-	
Total Governmental Activities	375,946	86,137	118,626	20,000	(151,183)	-	(151,183)	
Business-type Activities:								
Water	401,143	285,796	-	4,635	-	(110,712)	(110,712)	
Sewer	260,601	157,175	-	-	-	(103,426)	(103,426)	
Sanitation	59,702	53,702	-	-	-	(6,000)	(6,000)	
Total Business-type Activities	721,446	496,673	-	4,635	-	(220,138)	(220,138)	
Total Primary Government	\$ 1,097,392	\$ 582,810	\$ 118,626	\$ 24,635	\$ (151,183)	\$ (220,138)	\$ (371,321)	
General Revenues:								
Property Taxes				\$ 68,413	\$ -	\$ 68,413		
General Sales and Use Tax				108,402	-	108,402		
Franchise Tax				37,573	-	37,573		
Other Taxes				-	-	-		
Unrestricted Investment Earnings				422	324	746		
Loss on sale of Capital Assets				-	-	-		
Total General Revenues				214,810	324	215,134		
Change in Net Assets				63,627	(219,814)	(156,187)		
Net position- Beginning				1,178,614	12,333,928	13,512,542		
Net position - Ending				\$ 1,242,241	\$ 12,114,114	\$ 13,356,355		

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
 Balance Sheet
 Governmental Funds
 June 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	\$ 315,402
Restricted cash	-
Due from other funds	-
Taxes receivable	83,581
Intergovernmental receivable	-
Total assets	<u>\$ 398,983</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 20,429
Deposits	1,155
Total liabilities	<u>21,584</u>
Deferred inflows of resources	
Unearned property tax-levied for future years.	46,260
Unavailable property taxes - delinquent	1,386
Pension Related Costs	-
Total deferred inflows of resources	<u>47,646</u>
Fund Balances:	
Restricted	-
Roads	-
Unassigned	<u>329,753</u>
Total fund balances	<u>329,753</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 398,983</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
 Balance Sheet Reconciliation to
 Statement of Net Assets
 June 30, 2021

Total fund balances - governmental fund types: \$ 329,753

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	94,431
Infrastructure	1,963,539
Less Accumulated Depreciation	<u>(1,999,202)</u>
	920,686

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

Delinquent Property Taxes	(20)
Pension related costs	<u>7,074</u>
	7,054

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	(1,698)
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Deferred inflows of resources related to pensions do not require current resources and are not reported in the governmental funds

(13,554)

Net assets of government activities

\$ 1,242,241

TOWN OF EUREKA CITY
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2021

	General Fund
REVENUES	
Taxes	\$ 214,841
Licenses and permits	17,718
Intergovernmental	138,626
Charges for services	12,017
Fines	-
Miscellaneous	56,824
Total revenues	<u>440,026</u>
EXPENDITURES	
Current:	
General government	246,330
Public safety	2,982
Public works	72,770
Planning and zoning	485
Community development	28,216
Debt service:	
Principal	-
Interest	-
Total expenditures	<u>350,783</u>
Excess (deficit) of revenues over (under) Expenditures	<u>89,243</u>
Other financing sources (uses)	
Sale of Capital Assets	-
Total other financing sources (uses)	<u>-</u>
Net change in fund balance	89,243
Fund balances - beginning of year	240,510
Fund balances - end of year	<u>\$ 329,753</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
 Statement of Changes Reconciliation to
 Statement of Activities
 For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 89,243
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ -
Contribution of Capital Assets to Enterprise Funds	- -
Depreciation Expense	<u>(29,718)</u>
	(29,718)

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	4,555
Revenues in the statement of activities that do not provide current financial resources	
are not reported as revenues in the fund statements.	
Delinquent Taxes	(453)
Withheld Sales and Franchise Taxes	<u>-</u>
	<u>(453)</u>
Change in net assets of governmental activities	<u>\$ 63,627</u>

TOWN OF EUREKA CITY

Statement of Net Assets

Proprietary Funds

June 30, 2021

	Business-Type Activities - Enterprise			
	Water	Sewer	Sanitation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 109,013	\$ 49,911	\$ 158,924	
Due from other funds	- 195,725	-	195,725	
Receivables				
Accounts (Net)	29,617	16,584	5,752	51,953
Intergovernmental	-	-	-	0
Total current assets	<u>29,617</u>	<u>321,322</u>	<u>55,663</u>	<u>406,602</u>
Noncurrent assets:				
Construction in progress	-	-	-	-
Capital assets	8,948,698	8,668,952	43,000	17,660,650
Less: Accumulated depreciation	<u>(1,202,300)</u>	<u>(1,201,507)</u>	<u>(43,000)</u>	<u>(2,446,807)</u>
Total noncurrent assets	<u>7,746,398</u>	<u>7,467,445</u>	<u>-</u>	<u>15,213,843</u>
Total assets	<u>7,776,015</u>	<u>7,788,767</u>	<u>55,663</u>	<u>15,620,445</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related costs	7,074	6,659	-	13,733
Total deferred outflows of resources	<u>7,074</u>	<u>6,659</u>	<u>-</u>	<u>13,733</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	6,139	4,172	4,522	14,833
Bond interest payable	-	-	-	-
Due to other funds	195,725	-	-	195,725
Unearned Revenue	5,540	-	-	5,540
Current portion of long-term debt	24,313	66,778	-	91,091
Total current liabilities	<u>231,717</u>	<u>70,950</u>	<u>4,522</u>	<u>307,189</u>
Noncurrent liabilities:				
Net pension liability	1,697	1,598	-	3,295
Long term debt	<u>1,370,440</u>	<u>1,812,828</u>	<u>-</u>	<u>3,183,268</u>
Total noncurrent liabilities	<u>1,372,137</u>	<u>1,814,426</u>	<u>-</u>	<u>3,186,563</u>
Total liabilities	<u>1,603,854</u>	<u>1,885,376</u>	<u>4,522</u>	<u>3,493,752</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related costs	13,555	12,757	-	26,312
Total deferred inflows of resources	<u>13,555</u>	<u>12,757</u>	<u>-</u>	<u>26,312</u>
Net Assets:				
Net investment in capital assets	6,351,645	5,587,839	-	11,939,484
Unrestricted	<u>(185,965)</u>	<u>309,454</u>	<u>51,141</u>	<u>174,630</u>
Total net assets	<u>\$ 6,165,680</u>	<u>\$ 5,897,293</u>	<u>\$ 51,141</u>	<u>\$ 12,114,114</u>

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, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues:				
Charges for services	\$ -	\$ -	\$ 53,702	\$ 53,702
Charges for services pledged as security on revenue bonds	285,796	157,175	-	442,971
Total operating revenues	<u>285,796</u>	<u>157,175</u>	<u>53,702</u>	<u>496,673</u>
Operating expenses:				
Salaries and wages	40,372	13,846	2,346	56,564
Purchased services	97,190	21,026	57,237	175,453
Supplies and materials	4,826	6,391	119	11,336
Depreciation and amortization	188,447	187,204	-	375,651
Total operating expenses	<u>330,835</u>	<u>228,467</u>	<u>59,702</u>	<u>619,004</u>
Operating income	<u>(45,039)</u>	<u>(71,292)</u>	<u>(6,000)</u>	<u>(122,331)</u>
Nonoperating revenues (expenses):				
Interest revenue	86	238	-	324
Intergovernmental revenue	4,635	0	-	4,635
Contributions to other governments	(31,133)	(11,742)	-	(42,875)
Interest expense and fiscal charges	(39,175)	(20,392)	-	(59,567)
Total nonoperating revenues (expenses)	<u>(65,587)</u>	<u>(31,896)</u>	<u>-</u>	<u>(97,483)</u>
Net Income (loss) before Contributions and Transfers and Transfers	<u>(110,626)</u>	<u>(103,188)</u>	<u>(6,000)</u>	<u>(219,814)</u>
Change in net assets	<u>(110,626)</u>	<u>(103,188)</u>	<u>(6,000)</u>	<u>(219,814)</u>
Total net position beginning	6,276,306	6,000,481	57,141	12,333,928
Total net assets - ending	<u>\$ 6,165,680</u>	<u>\$ 5,897,293</u>	<u>\$ 51,141</u>	<u>\$ 12,114,114</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total BTAs
Cash Flows From Operating Activities				
Receipts from customers	\$ 284,613	\$ 156,264	\$ 53,553	\$ 494,430
Payments to suppliers	(102,738)	(24,880)	(57,733)	(185,351)
Payments to employees	(44,926)	(18,134)	(2,346)	(65,406)
Internal balances	<u>(48,169)</u>	<u>48,169.00</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>88,780</u>	<u>161,419</u>	<u>(6,526)</u>	<u>243,673</u>
Cash Flows From Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Contribution to other governments	(31,133)	(11,742)	-	(42,875)
Intergovernmental revenue	4,635	-	-	4,635
Principal paid on capital debt	(23,595)	(66,430)	-	(90,025)
Purchase of capital assets	(27,620)	(90,691)	-	(118,311)
Interest paid on capital debt	<u>(42,225)</u>	<u>(21,942)</u>	<u>-</u>	<u>(64,167)</u>
Net cash provided (used) by capital and related financing activities	<u>(119,938)</u>	<u>(190,805)</u>	<u>-</u>	<u>(310,743)</u>
Cash Flows From Investing Activities				
Interest and dividends received	<u>86</u>	<u>238</u>	<u>-</u>	<u>324</u>
Net increase (decrease) in cash and cash equivalents	(31,072)	(29,148)	(6,526)	(66,746)
Cash and cash equivalents - beginning	<u>31,072</u>	<u>138,161</u>	<u>56,437</u>	<u>225,670</u>
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ 109,013</u>	<u>\$ 49,911</u>	<u>\$ 158,924</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (45,039)	\$ (71,292)	\$ (6,000)	\$ (122,331)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	188,447	187,204	-	375,651
(Increase) decrease in accounts receivable	(1,183)	(911)	(149)	(2,243)
(Increase) decrease in due from other funds	-	48,169	-	48,169
(Increase) decrease in deferred outflows	(1,030)	(970)	-	(2,000)
Increase (decrease) in accounts payable	(722)	2,537	(377)	1,438
Increase (decrease) in due to other funds	(48,169)	-	-	(48,169)
Increase (decrease) in net pension liability	(8,898)	(8,375)	-	(17,273)
Increase (decrease) in deferred inflows	5,374	5,057	-	10,431
Total adjustments	<u>133,819</u>	<u>232,711</u>	<u>(526)</u>	<u>366,004</u>
Net cash provided (used) by operating activities	<u>\$ 88,780</u>	<u>\$ 161,419</u>	<u>\$ (6,526)</u>	<u>\$ 243,673</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

18

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

Measurement Focus, Basis of Accounting and Presentation

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

19

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

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

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

Assets, Liabilities, and Net Assets or Equity

A. Cash and Cash Equivalents

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

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

B. Restricted Assets

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

20

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.

21

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

E. 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 City 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 City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, revenue for future year, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2019 for the 2018-2019 Fiscal year. The enterprise funds report deferred inflows of resources related to pension costs.

F. Long-Term Obligations

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

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.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

G. 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.

H. 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 City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

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

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.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Town's carrying amount of deposits was \$472,305 and the balance in the Town's bank account and the cash on hand was \$474,326, 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, 2021, the Town's custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2021
Checking and Savings	Insured and Collateralized	\$ 250,000
Checking and Savings	Uninsured and Uncollateralized	156,258
Total Deposits		<u><u>\$ 406,258</u></u>

B. Investments

The Town's investments are managed through participation in the State Public Treasurer's Investment Fund and through a trust arrangement with a local bank. As of June 30, 2021, the Town's investments are treated as cash equivalents. The Town had the following investments:

Investments	Investment Maturities (in Years)					Quality Ratings
	Less Than 1	1-5	6-10	More than 10		
Utah Public Treasurer's Investment Fund	\$ -	\$ -	\$ -	\$ -	\$ -	Unrated
Certificates of Deposit	26,025	-	-	-	-	Unrated
Total Investments	<u><u>\$ 26,025</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

The Town 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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

At June 30, 2021 the Town had the following recurring fair value measurements:

Investments by fair value level	6/30/2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Certificates of Deposit	\$ -	\$ -	\$ 26,025	\$ -
Utah Public Treasurers' Investment Fund	-	-	-	-
Total debt securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,025</u>	<u>\$ -</u>
Total investments measured at fair value	<u><u>\$ 26,025</u></u>			

Investments – Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – RECEIVABLES

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

	General	Water	Sewer	Sanitation	Total
Receivables:					
Taxes	\$ 83,581	\$ -	\$ -	\$ -	\$ 83,581
Intergovernmental	-	-	-	-	-
Accounts	-	43,932	24,600	8,532	77,064
Allowance for uncollectible accounts	-	(14,315)	(8,016)	(2,780)	(25,111)
Total receivables	<u>\$ 83,581</u>	<u>\$ 29,617</u>	<u>\$ 16,584</u>	<u>\$ 5,752</u>	<u>\$ 135,534</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>
Property taxes receivable (general fund)	<u>\$ 47,665</u>	<u>\$ 47,665</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances and transfers are created to support temporary cash deficiencies in the applicable funds. In 2021 there was an internal balance of \$243,894 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, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 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	-	-	-	94,431
Infrastructure	1,963,539	-	-	-	1,963,539
Total capital assets being depreciated	<u>2,801,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,801,888</u>
Less accumulated depreciation for:					
Buildings	226,751	18,028	-	-	244,779
Improvements	15,976	485	-	-	16,461
Machinery and equipment	80,256	5,538	-	-	85,794
Infrastructure	1,646,501	5,667	-	-	1,652,168
Total accumulated depreciation	<u>1,969,484</u>	<u>29,718</u>	<u>-</u>	<u>-</u>	<u>1,999,202</u>
Total capital assets, being depreciated, net	<u>832,404</u>	<u>(29,718)</u>	<u>-</u>	<u>-</u>	<u>802,686</u>
Governmental activities capital assets, net	<u>\$ 950,404</u>	<u>\$ (29,718)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 920,686</u>
 Business-type activities:					
Capital assets not being depreciated:					
Construction in Progress	\$ 153,716	\$ -	\$ -	\$ (153,716)	\$ -
Land	75,756	-	-	-	75,756
Water Rights	36,997	-	-	-	36,997
Total capital assets not being depreciated	<u>266,469</u>	<u>-</u>	<u>-</u>	<u>(153,716)</u>	<u>112,753</u>
Capital assets being depreciated:					
Improvements	17,086,222	181,336	-	-	17,267,558
Machinery and equipment	189,648	90,691	-	-	280,339
Total capital assets being depreciated	<u>17,275,870</u>	<u>272,027</u>	<u>-</u>	<u>-</u>	<u>17,547,897</u>
Less accumulated depreciation for:					
Improvements	1,948,430	346,646	-	-	2,295,076
Machinery and equipment	122,726	29,004	-	-	151,730
Total accumulated depreciation	<u>2,071,156</u>	<u>375,650</u>	<u>-</u>	<u>-</u>	<u>2,446,806</u>
Total capital assets, being depreciated, net	<u>15,204,714</u>	<u>(103,623)</u>	<u>-</u>	<u>-</u>	<u>15,101,091</u>
Business-type activities capital assets, net	<u>\$ 15,471,183</u>	<u>\$ (103,623)</u>	<u>\$ -</u>	<u>\$ (153,716)</u>	<u>\$ 15,213,844</u>

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

Governmental activities	
General government	\$ 18,028
Public safety	-
Public works	11,205
Community development	485
Total depreciation expense governmental activities	<u>\$ 29,718</u>
Business-type activities	
Water	\$ 188,446
Sewer	187,204
Sanitation	-
Total depreciation expense business-type activities	<u>\$ 375,650</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT

Bonds and notes payable at June 30, 2021 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, 2024, 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:

Fiscal Year	Principal	Interest	Total
2022	24,313	41,507	65,820
2023	25,052	40,767	65,819
2024	25,814	40,006	65,820
2025	26,600	39,220	65,820
2026	27,409	3,811	31,220
2027-2031	150,067	179,033	329,100
2032-2036	174,321	154,779	329,100
2037-2041	202,493	126,607	329,100
2042-2046	235,220	93,879	329,099
2047-2051	273,236	55,864	329,100
2052-2055	230,228	7,208	237,436
	\$ 1,394,753	\$ 782,681	\$ 2,177,434

- 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:

Fiscal Year	Principal	Interest	Total
2022	\$ 12,000	\$ -	\$ 12,000
2023	12,000	-	12,000
2024	12,000	-	12,000
2025	12,000	-	12,000
2026	12,000	-	12,000
2027-2028	26,000	-	26,000
	\$ 86,000	\$ -	\$ 74,000

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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:

Fiscal Year	Principal	Interest	Total
2022	\$ 43,000	\$ -	\$ 43,000
2023	43,000	-	43,000
2024	43,000	-	43,000
2025	43,000	-	43,000
2026	43,000	-	43,000
2027-2031	215,000	-	215,000
2032-2036	215,000	-	215,000
2037-2041	215,000	-	215,000
2042-2046	225,000	-	225,000
	\$ 1,085,000	\$ -	\$ 1,085,000

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:

Fiscal Year	Principal	Interest	Total
2022	\$ 12,282	\$ 21,128	\$ 33,410
2023	12,665	20,770	33,435
2024	13,040	20,401	33,441
2025	13,437	20,020	33,457
2026	13,846	19,526	33,372
2027-2031	75,807	91,053	166,860
2032-2036	88,059	78,791	166,850
2037-2041	102,290	58,648	160,938
2042-2046	118,822	42,468	161,290
2047-2051	138,026	35,001	173,027
2052-2055	120,332	12,264	132,596
	\$ 708,606	\$ 420,070	\$ 1,128,676

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT (*Continued*)

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

Fiscal Year	Principal	Interest	Total
2022	\$ 91,595	\$ 62,635	\$ 154,230
2023	92,717	61,537	154,254
2024	93,854	60,407	154,261
2025	95,037	59,240	154,277
2026	96,255	23,337	119,592
2027-2031	466,874	270,086	736,960
2032-2036	477,380	233,570	710,950
2037-2041	519,783	185,255	705,038
2042-2046	579,042	136,347	715,389
2047-2051	411,262	90,865	502,127
2052-2055	350,560	19,472	370,032
	\$ 3,274,359	\$ 1,202,751	\$ 4,477,110

Changes in long-term debt

	6/30/2020	Additions	Deletions	6/30/2021	Due in one year
<u>Governmental Activities</u>					
Long Term Liabilities:					
Net Pension Liability	\$ 10,596	\$ -	\$ 8,898	\$ 1,698	\$ -
Total governmental activities	\$ 10,596	\$ -	\$ 8,898	\$ 1,698	\$ -

Changes in long-term debt

	6/30/2020	Additions	Deletions	6/30/2021	Due in one year
<u>Business Type Activities</u>					
Bonds payable:					
Water bond payable 2015B	\$ 1,418,348	\$ -	\$ (23,595)	\$ 1,441,943	\$ 24,313
Sewer bond payable 2015A	98,000	-	(12,000)	110,000	12,000
Sewer bond payable 2015B	1,128,000	-	(43,000)	1,171,000	43,000
Sewer bond payable 2015C	720,036	-	(11,430)	731,466	11,778
Total bonds payable	3,364,384	-	(90,025)	3,454,409	91,091
Long term liabilities:					
Net Pension Liability	10,593	-	7,298	3,295	-
Total business type activites	\$ 3,374,977	\$ -	\$ (82,727)	\$ 3,457,704	\$ 91,091

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 – RESERVED FUND BALANCES

The Town has no reserved fund balance amounts for unspent B&C road funds designed for maintenance of the Town's roads. During the fiscal year the Town spent the restricted funds on a chip seal projects on their roads.

NOTE 10 – STATE RETIREMENT PLANS

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public 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 City, 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, 2021

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:

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Division Tier 2	N/A	15.8	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, 2021, the employer contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Non Contributory System	\$ 16,142	\$ -
Tier 2 Puble Employees System	\$ 4,693	\$ -
Total Contributions	<u><u>\$ 20,835</u></u>	<u><u>\$ -</u></u>

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

At June 30, 2021 the City reported a net pension asset of \$0 and a net pension liability of \$4,993

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2019	Change (Decrease)
Noncontributory System	\$ -	\$ 4,752	0.0092634%	0.0082173%	0.0010461%
Tier 2 Public Employees System	- 242	242			
Total Net Pension Asset/Liability	<u><u>\$ -</u></u>	<u><u>\$ 4,994</u></u>	0.0016809%	0.0008636%	0.0008173%

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset 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, 2021, the City recognized pension expense of \$6,024.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 – STATE RETIREMENT PLANS (*Continued*)

At June 30, 2021, 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	\$ 6,598	\$ 111
Changes in assumptions	306	631
Net difference between projected and actual earnings on the pension plan investments	-	35,403
Changes in proportion and differences between contributions and proportionate shares of contributions	4,096	3,722
Contributions subsequent to the measurement date	9,807	-
Total	\$ 20,807	\$ 39,867

The \$9,807 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, 2020. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2021	\$ (9,404)
2022	(2,468)
2023	(11,850)
2024	(5,787)
2025	95
Thereafter	547

Actuarial assumptions – The total pension liability in the December 31, 2020 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	6.95 percent, net of pension plan investment expenses, including inflation

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

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 – STATE RETIREMENT PLANS (*Continued*)

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		Long-Term Expected Portfolio Real Rate of Return
		Real Return Arithmetic Basis		
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 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50% and a real return of 4.45% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 6.95%. 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 remained unchanged at 6.95%.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 – STATE RETIREMENT PLANS (*Continued*)

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 6.95%, 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 (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

Proportion Share of	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Non Contributory System	\$ 82,379	\$ 4,752	\$ (59,962)
Tier 2 Puble Employees System	4,068	242	(2,685)
Total	\$ 86,447	\$ 4,994	\$ (62,647)

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 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:

401 (k)	2021	2020	2019
Employer Contributions	\$ 264	\$ 264	\$ -
Employee Contributions	-	-	-
457(b) Plan			
Employer Contributions	-	-	-
Employee Contributions	\$ 3,900	\$ 3,900	\$ 6,000

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - LITIGATION

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

NOTE 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 March 19, 2022, 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, 2021

Last 10 Fiscal Years*

Fiscal Year	Proportion of the net liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
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%
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%

* 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, 2021

Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	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%
Tier 2 Public Employee System	2020	\$ 4,018	\$ 4,018	\$ -	\$ 25,658	15.66%
	2021	4,693	4,693	-	29,706	15.80%

* 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.

TOWN OF EUREKA CITY
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget to Actual
 General Fund
 For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Totals	Positive (Negative)	
REVENUES					
Taxes	\$ 204,200	\$ 217,148	\$ 214,840	\$ (2,308)	
Licenses and permits	28,150	17,668	17,718	50	
Intergovernmental	48,000	75,090	138,626	63,536	
Charges for services	83,700	21,563	12,017	(9,546)	
Fines	500	-	-	-	
Miscellaneous	105,350	111,779	56,824	(54,955)	
Total revenues	<u>469,900</u>	<u>443,248</u>	<u>440,025</u>	<u>(3,223)</u>	
EXPENDITURES					
Current:					
General government	254,550	316,743	246,332	70,411	
Public safety	6,700	6,743	2,981	3,762	
Public works	164,450	86,747	72,768	13,979	
Planning and zoning	2,450	2,450	485	1,965	
Community development	41,750	30,565	28,216	2,349	
Total expenditures	<u>469,900</u>	<u>443,248</u>	<u>350,782</u>	<u>92,466</u>	
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>89,243</u>	<u>89,243</u>	
Other financing sources (uses)					
Sale of capital assets					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>-</u>	<u>-</u>	<u>89,243</u>	<u>89,243</u>	
Fund balances - beginning	<u>240,510</u>	<u>240,510</u>	<u>240,510</u>	<u>-</u>	
Fund balances - ending	<u>\$ 240,510</u>	<u>\$ 240,510</u>	<u>\$ 329,753</u>	<u>\$ 89,243</u>	

TOWN OF EUREKA CITY
Notes to Required Supplementary Information
For the year ended June 30, 2020

Change in Assumptions

NOTE 1 – Changes in assumptions

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

NOTE 2 – Budgetary Information

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

OTHER REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of and for the year ended June 30, 2021, 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 March 19, 2022.

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 City's Response to Findings

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

Purpose of this Report

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

Gilbert & Stewart

GILBERT & STEWART
Provo, Utah 84601
Certified Public Accountants
March 19, 2022



GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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RONALD J. STEWART, CPA

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

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 City
Eureka, UT

Report on Compliance

We have audited Town of Eureka City'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, 2021.

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

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Government Fee's
- Cash Management
- Treasurer's Bond
- 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 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 Town's compliance.

Opinion on Compliance

In our opinion, 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, 2021.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a 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
March 19, 2022