

Hyrum City Corporation

Financial Statements

For the Year Ended June 30, 2025



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HYRUM CITY, UTAH

60 West Main Street
Hyrum, Utah 84319

Financial Statements

Year Ended June 30, 2025

Mayor: Stephanie Miller

Council Members: Jared Clawson
Paul James
Craig Rasmussen
Steve Adams
Michael Nelson

City Administrator (Acting): Stephanie Miller

Prepared by: Todd Perkins, Treasurer

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FINANCIAL SECTION



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PARTNERS

MICHAEL L. SMITH, CPA
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AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
JESSE S. MALMROSE, EA
JANICE ANDERSON, EA
TROY F. NILSON, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hyrum City Corporation (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15, the budgetary comparison for the general fund on pages 60-61, and pension schedules on pages 62-65 be presented to supplement the basic financial statements.

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

HBME, LLC

December 29, 2025
Bountiful, Utah

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025

As management of Hyrum City, Utah (the City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We believe that this narrative, when read in conjunction with the financial statements, and particularly, the notes to the financial statements, will greatly assist the reader in understanding the finances of the City.

Financial Highlights

Government Wide

- The City's total net position increased by \$5,530,455 or 8.10% over the prior year. Net position of governmental activities increased by \$1,980,645 or 8.24%. Net position of business-type activities increased by \$3,549,810 or 8.03%.
- The City's total net position is made up of primarily capital assets. Generally, capital assets are made up of infrastructure and are not available to meet on-going obligations. Of the total net position of \$73,796,541, \$51,489,836 (69.77%) includes net investment in capital assets; \$1,180,976 (1.60%) in restricted uses and \$21,125,729 (28.63%) in unrestricted uses and is available to meet City obligations.
 - The City's restricted net position decreased by \$1,626,278 from last year, due mainly to the corresponding decrease in restricted ARPA grant funds.
 - The City's unrestricted net position increased by \$4,231,573 from the prior year, due mainly to increases in interest income and property tax revenues.
 - Overall, the City's long-term liabilities increased, excluding net pension liability, by \$13,109,639 over the prior year, due to a new agreement with UAMPS for \$13,860,000, net of all scheduled debt payments. As of June 30, 2025, long-term liabilities, excluding net pension liability, for governmental and business-type activities were \$186,773 and \$16,201,726, respectively.

Fund Level

- The fund balances in governmental funds decreased \$742,855, from \$4,050,866 to \$3,308,011. During the prior fiscal year, Federal ARPA grant monies were recognized as revenue.
- The proprietary funds had an overall net income before transfers and contributions of \$3,092,955, with most of this attributed to the electric fund, which was \$2,816,416.

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

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

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

The City maintains two individual governmental funds. Information is presented separately in the governmental fund statements for the general fund and the capital projects fund, which are considered to be major funds. When applicable, the nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the *other supplementary information* section of this report. For the year ended June 30, 2025, there were no nonmajor governmental funds.

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

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

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

Notes to Financial Statements

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

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Required Supplementary Information

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

Other Supplementary Information

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

Financial Analysis of Government-wide Statements

Net Position

Generally, net position over time may offer a measuring tool of the overall financial condition of a government's financial position. The City's combined net position increased over the prior year by \$5,530,455 (8.10%). This indicates that the City's overall financial condition improved over the prior year. The unrestricted net position, which is available for ongoing obligations, increased by \$4,231,573.

HYRUM CITY NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 5,362,621	\$ 6,404,037	\$ 21,413,385	\$ 18,179,902	\$ 26,776,006	\$ 24,583,939
Capital assets, net	22,842,922	20,112,151	44,037,634	30,719,320	66,880,556	50,831,471
Total assets	28,205,543	26,516,188	65,451,019	48,899,222	93,656,562	75,415,410
Total deferred outflows of resources	252,379	262,342	425,651	419,720	678,030	682,062
Current liabilities	1,019,081	1,353,171	1,378,577	1,977,776	2,397,658	3,330,947
Noncurrent liabilities	376,418	378,975	16,521,575	2,901,442	16,897,993	3,280,417
Total liabilities	1,395,499	1,732,146	17,900,152	4,879,218	19,295,651	6,611,364
Total deferred inflows of resources	1,036,040	1,000,646	206,360	219,376	1,242,400	1,220,022
Net investment in capital assets	23,075,719	20,112,151	28,414,117	28,452,525	51,489,836	48,564,676
Restricted	729,008	1,824,725	451,968	982,529	1,180,976	2,807,254
Unrestricted	2,221,656	2,108,862	18,904,073	14,785,294	21,125,729	16,894,156
Total net position	\$ 26,026,383	\$ 24,045,738	\$ 47,770,158	\$ 44,220,348	\$ 73,796,541	\$ 68,266,086

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Net Position (Continued)

By far, the largest portion of the City's net position of \$51,489,836 (69.77%), reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$1,180,976 (1.60%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,125,729 (25.05%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

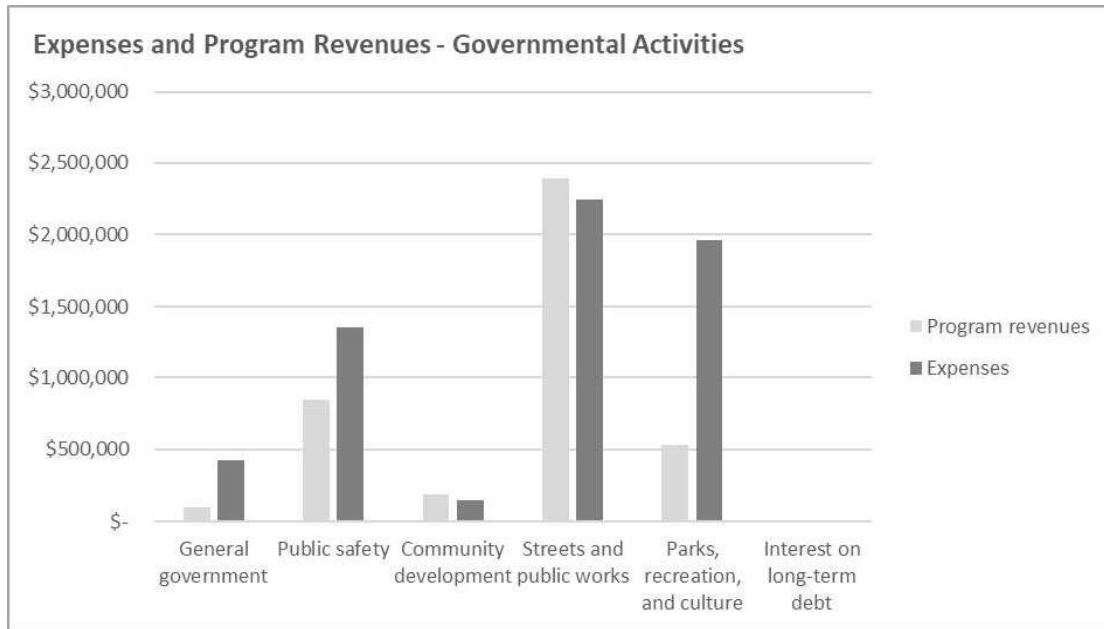
Governmental and Business-Type Activities

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,980,645 from the prior fiscal year for an ending balance of \$26,026,383 as of June 30, 2025.

Business-type Activities. For the City's business-type activities, net position increased from \$44,220,348 to \$47,770,158, for a total of \$3,549,810.

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

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025



Changes in Net Position

HYRUM CITY CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 2,140,654	\$ 1,977,843	\$ 18,983,777	\$ 16,915,062	\$ 21,124,431	\$ 18,892,905
Operating grants and contributions	147,942	46,015	-	-	147,942	46,015
Capital grants and contributions	1,689,820	2,041,363	456,855	611,044	2,146,675	2,652,407
General Revenues:						
Property taxes	1,046,848	816,854	-	-	1,046,848	816,854
Sales and use taxes	2,352,931	2,191,146	-	-	2,352,931	2,191,146
Other taxes	660,706	691,195	565,604	562,071	1,226,310	1,253,266
Other	441,715	428,598	862,512	803,890	1,304,227	1,232,488
Total revenues	8,480,616	8,193,014	20,868,748	18,892,067	29,349,364	27,085,081
Expenses						
General government	531,880	428,094	-	-	531,880	428,094
Public safety	1,357,397	1,346,138	-	-	1,357,397	1,346,138
Community development	226,855	150,406	-	-	226,855	150,406
Streets and public works	2,294,966	2,244,414	-	-	2,294,966	2,244,414
Parks, recreation, and culture	2,088,873	1,962,984	-	-	2,088,873	1,962,984
Interest on long-term debt	-	-	631,525	39,297	631,525	39,297
Water	-	-	1,892,418	1,195,132	1,892,418	1,195,132
Sewer	-	-	2,148,596	1,762,035	2,148,596	1,762,035
Electric	-	-	11,694,127	11,928,392	11,694,127	11,928,392
Pressure irrigation	-	-	492,253	490,645	492,253	490,645
Storm water	-	-	460,019	151,787	460,019	151,787
Total Expenses	6,499,971	6,132,036	17,318,938	15,567,288	23,818,909	21,699,324
Increase (decrease) in net position before transfers	1,980,645	2,060,978	3,549,810	3,324,779	5,530,455	5,385,757
Transfers	-	(510,032)	-	510,032	-	-
Increase in net position	1,980,645	1,550,946	3,549,810	3,834,811	5,530,455	5,385,757
Net position, beginning (as restated)	24,045,738	22,494,792	44,220,348	40,385,537	68,266,086	62,880,329
Net position, ending	\$ 26,026,383	\$ 24,045,738	\$ 47,770,158	\$ 44,220,348	\$ 73,796,541	\$ 68,266,086

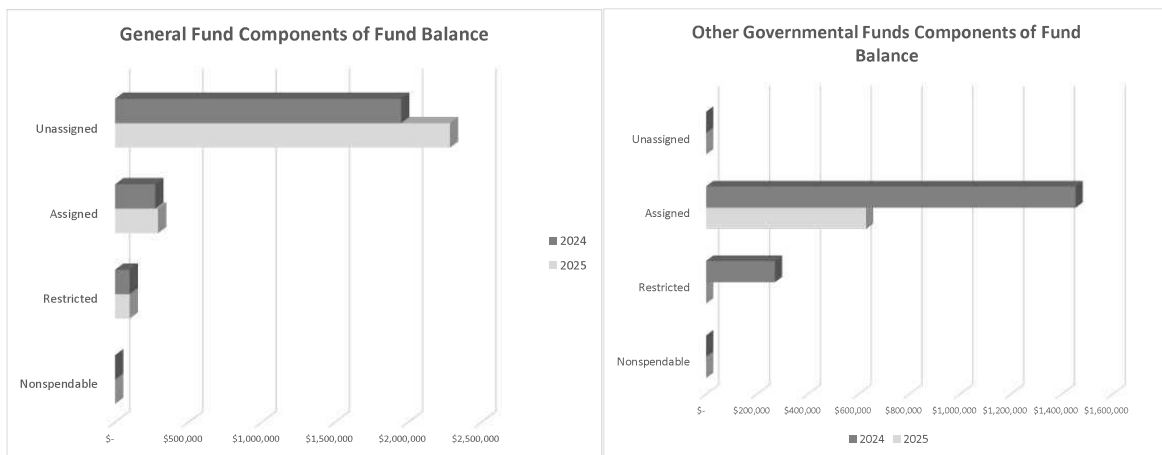
HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Financial Analysis of Governmental Funds

Governmental Funds

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

As of June 30, 2025, the City's governmental funds reported combined fund balances of \$3,308,011. Approximately 69% of this amount (\$2,285,708) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is 1) restricted for particular purposes (\$99,384), or 2) assigned for particular purposes (\$922,919).



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 \$2,285,708. Total fund balance for the general fund increased \$352,862. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

The Capital Projects Fund accounts for major capital projects of the City.

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Proprietary Funds

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

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

Operating revenues for all proprietary funds totaled \$19,639,801. This is an increase of 11.40% from the prior year of \$17,630,028. Operating expenses totaled \$16,688,913. This is an increase of 9.10%. Continued monitoring of each utility, including the rates charged, is necessary to ensure operating revenues cover operating expenses, especially as residential growth will require additional resources.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

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

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2025, is \$66,880,556 (net of accumulated depreciation). This is a net increase of \$16,049,085.

HYRUM CITY CAPITAL ASSETS
(net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,424,076	\$ 1,344,000	\$ 2,083,593	\$ 2,083,593	\$ 3,507,669	\$ 3,427,593
Construction in Progress	422,081	6,265,204	4,873,392	5,527,260	5,295,473	11,792,464
Water Shares	-	-	2,143,608	2,143,608	2,143,608	2,143,608
Buildings and improvements	14,258,333	6,927,700	965,987	1,018,741	15,224,320	7,946,441
Infrastructure	4,094,934	3,937,242	31,661,157	17,777,965	35,756,091	21,715,207
Automobiles, machinery and equipment	2,643,498	1,638,005	2,309,897	2,167,910	4,953,395	3,805,915
Right-to-use asset	-	-	-	243	-	243
Total capital assets	<u>\$ 22,842,922</u>	<u>\$ 20,112,151</u>	<u>\$ 44,037,634</u>	<u>\$ 30,719,320</u>	<u>\$ 66,880,556</u>	<u>\$ 50,831,471</u>

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

HYRUM CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

Long-Term Debt: Bonds and Notes Payable

Overall, the City had a net increase in long-term liabilities in the amount of \$13,492,909. The City has no general obligation debt. The table below shows the overall debt position of the City for governmental activities and business-type activities, less net pension liability, compared to the prior fiscal year.

	OTHER LONG-TERM DEBT					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Loan payable, USDA	\$ -	\$ -	\$ 2,222,517	\$ 2,266,794	\$ 2,222,517	\$ 2,266,794
Lease payable	-	-	13,401,000	-	13,401,000	-
Compensated absences	186,773	230,960	578,209	397,836	764,982	628,796
Total other long-term debt	<u>\$ 186,773</u>	<u>\$ 230,960</u>	<u>\$ 16,201,726</u>	<u>\$ 2,664,630</u>	<u>\$ 16,388,499</u>	<u>\$ 2,895,590</u>

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

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

The economic outlook for Hyrum City remains positive. Though the unemployment rate in Utah increased during 2025 to 3.6%, unemployment remains well below the national average. Sales tax revenues have continued to experience significant growth for the coming year. Property taxes have stayed constant, with slight increases. Existing revenues have been able to continue to meet the expenditures anticipated. The challenge, of course, will be to continue to provide the critical services to a growing, primarily residential population. However, the economic outlook of the City is very positive and stable.

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

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

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BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Fund Financial Statements

HYRUM CITY CORPORATION
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,893,406	\$ 15,757,862	\$ 17,651,268
Restricted assets - cash and cash equivalents	629,624	824,840	1,454,464
Receivables (net of allowance for uncollectibles)	2,659,624	1,955,549	4,615,173
Intergovernmental receivables	179,237	-	179,237
Lease receivable	-	231,861	231,861
Inventories	-	2,588,589	2,588,589
Prepays and deposits	730	5,250	5,980
Intangible assets - power purchase agreements	-	49,434	49,434
Capital assets not being depreciated	1,846,157	9,100,593	10,946,750
Capital assets, net of accumulated depreciation	20,996,765	34,937,041	55,933,806
Total assets	<u>28,205,543</u>	<u>65,451,019</u>	<u>93,656,562</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>252,379</u>	<u>425,651</u>	<u>678,030</u>
LIABILITIES			
Accounts payable	110,091	805,272	915,363
Accrued liabilities	53,843	60,717	114,560
Developer and other deposits payable	855,147	512,268	1,367,415
Accrued interest payable	-	320	320
Noncurrent liabilities:			
Due within one year:			
Loan, leases, compensated absences	63,940	733,176	797,116
Due in more than one year:			
Loan, leases, compensated absences	122,833	15,468,550	15,591,383
Net pension liability - actuarially funded	189,645	319,849	509,494
Total liabilities	<u>1,395,499</u>	<u>17,900,152</u>	<u>19,295,651</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax related	1,035,529	-	1,035,529
Lease related	-	205,501	205,501
Pension related	511	859	1,370
Total deferred inflows of resources	<u>1,036,040</u>	<u>206,360</u>	<u>1,242,400</u>
NET POSITION			
Net investment in capital assets	23,075,719	28,414,117	51,489,836
Restricted for:			
Capital projects - ARPA grant	-	139,396	139,396
Capital projects	629,624	-	629,624
Sanitation services	99,384	-	99,384
Debt service	-	312,572	312,572
Unrestricted	2,221,656	18,904,073	21,125,729
Total net position	<u>\$ 26,026,383</u>	<u>\$ 47,770,158</u>	<u>\$ 73,796,541</u>

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

HYRUM CITY CORPORATION
Statement of Activities
For the Year Ended June 30, 2025

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities Total
<u>Functions/Programs:</u>						
Governmental activities						
General government	\$ 531,880	\$ 135,297	\$ -	\$ -	\$ (396,583)	\$ - \$ (396,583)
Public safety	1,357,397	373,459	3,494	200,000	(780,444)	- (780,444)
Community development	226,855	218,602	-	249,100	240,847	- 240,847
Streets and public works	2,294,966	1,133,540	-	1,076,424	(85,002)	- (85,002)
Parks, recreation, and culture	2,088,873	279,756	144,448	164,296	(1,500,373)	- (1,500,373)
Total governmental activities	6,499,971	2,140,654	147,942	1,689,820	(2,521,555)	- (2,521,555)
Business-type activities						
Water	1,892,418	1,563,308	-	152,378	-	(176,732) (176,732)
Sewer	2,187,796	2,379,922	-	146,222	-	338,348 338,348
Electric	12,286,452	14,265,568	-	109,027	-	2,088,143 2,088,143
Irrigation	492,253	371,477	-	49,228	-	(71,548) (71,548)
Storm water	460,019	403,502	-	-	-	(56,517) (56,517)
Total business-type activities	17,318,938	18,983,777	-	456,855	-	2,121,694 2,121,694
Total government-wide	\$ 23,818,909	\$ 21,124,431	\$ 147,942	\$ 2,146,675	(2,521,555)	2,121,694 (399,861)
General revenue						
General Revenues:						
Sales and use taxes					2,352,931	- 2,352,931
Property taxes					1,046,848	- 1,046,848
Franchise taxes					35,208	- 35,208
Mass transit taxes					321,346	- 321,346
Energy taxes					304,152	565,604 869,756
Interest and investment earnings					135,806	772,092 907,898
Payment in lieu of taxes					59,534	- 59,534
Gain on sale of assets					13,462	- 13,462
Miscellaneous					232,913	90,420 323,333
Total general revenue					4,502,200	1,428,116 5,930,316
Change in net position					1,980,645	3,549,810 5,530,455
Net position - beginning					24,045,738	44,220,348 68,266,086
Net position - ending					\$ 26,026,383	\$ 47,770,158 \$ 73,796,541

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

HYRUM CITY CORPORATION
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,893,406	\$ -	\$ 1,893,406
Cash and cash equivalents, restricted	-	629,624	629,624
Receivables (net of allowance for uncollectibles):			
Property taxes	1,088,157	-	1,088,157
Sales and use taxes	831,645	-	831,645
Franchise taxes	32,623	-	32,623
Accounts	707,199	-	707,199
Intergovernmental receivables	179,237	-	179,237
Prepaid expenses	730	-	730
Total assets	\$ 4,732,997	\$ 629,624	\$ 5,362,621
LIABILITIES			
Accounts payable	\$ 110,091	\$ -	\$ 110,091
Developer and other deposits payable	855,147	-	855,147
Accrued liabilities	53,843	-	53,843
Total liabilities	1,019,081	-	1,019,081
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	1,035,529	-	1,035,529
FUND BALANCES			
Restricted:			
Sanitation services	99,384	-	99,384
Assigned:			
Culture, parks, and recreation	50,502	-	50,502
Public safety	242,793	-	242,793
Construction projects - culture, parks, and recreation	-	629,624	629,624
Unassigned	2,285,708	-	2,285,708
Total fund balances	2,678,387	629,624	3,308,011
Total liabilities, deferred inflows of resources and fund balances	\$ 4,732,997	\$ 629,624	\$ 5,362,621

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

HYRUM CITY CORPORATION
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
June 30, 2025

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

Total fund balances - governmental funds	\$	3,308,011
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Capital assets of \$44,587,072, net of accumulated depreciation of \$21,744,150, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	1,424,076	
Construction in progress		422,081	
Infrastructure, net		4,094,934	
Buildings, net		4,255,716	
Improvements, net		10,002,617	
Automobiles, machinery and equipment, net		2,643,498	22,842,922

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

Net pension liability	(189,645)		
Deferred outflows of resources, pension related	252,379		
Deferred inflows of resources, pension related	(511)		62,223

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

Compensated absences	(186,773)	(186,773)	
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Net position of governmental activities	\$	26,026,383
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The accompanying notes are an integral part of these financial statements.

HYRUM CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Sales and use taxes	\$ 2,352,931	\$ -	\$ 2,352,931
Property taxes	1,046,848	-	1,046,848
Energy sales taxes	304,152	-	304,152
Mass transit taxes	321,346	-	321,346
Franchise taxes	35,208	-	35,208
Licenses and permits	91,747	-	91,747
Intergovernmental	1,604,321	-	1,604,321
Charges for services	1,826,444	-	1,826,444
Fines and forfeitures	134,161	-	134,161
Lease and rent revenue	88,302	-	88,302
Investment earnings, net	95,216	40,590	135,806
Special assessments - impact fees	173,528	-	173,528
Payments in lieu of taxes	59,534	-	59,534
Donations	59,913	-	59,913
Miscellaneous	232,913	-	232,913
Total revenues	<u>8,426,564</u>	<u>40,590</u>	<u>8,467,154</u>
EXPENDITURES			
Current:			
General government	507,830	-	507,830
Public safety	776,971	-	776,971
Community development	224,835	-	224,835
Streets and public works	1,748,860	-	1,748,860
Parks, recreation and culture	1,849,698	-	1,849,698
Capital outlay	<u>2,316,708</u>	<u>1,836,307</u>	<u>4,153,015</u>
Total expenditures	<u>7,424,902</u>	<u>1,836,307</u>	<u>9,261,209</u>
Excess (deficiency) of revenues over expenditures	<u>1,001,662</u>	<u>(1,795,717)</u>	<u>(794,055)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	700,000	700,000
Transfers out	(700,000)	-	(700,000)
Sale of General Capital Assets	<u>51,200</u>	<u>-</u>	<u>51,200</u>
Total other financing sources (uses)	<u>(648,800)</u>	<u>700,000</u>	<u>51,200</u>
Net change in fund balances	352,862	(1,095,717)	(742,855)
Fund balances, beginning	<u>2,325,525</u>	<u>1,725,341</u>	<u>4,050,866</u>
Fund balances, ending	<u>\$ 2,678,387</u>	<u>\$ 629,624</u>	<u>\$ 3,308,011</u>

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

HYRUM CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

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

Net change in fund balances - governmental funds	\$	(742,855)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial cost of \$4,000 or more are capitalized and the cost is allocated over the asset's estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$	4,153,015	
Depreciation expense		(1,384,506)	2,768,509

Governmental assets disposed during the year with the respective gain (loss) on disposal are not shown in governmental funds.

Proceeds		(51,200)	
Gain on disposal of assets		13,462	(37,738)

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

Compensated absences		44,187	
Changes in pension liabilities and related deferred outflows and inflows of resources		(51,458)	(7,271)

Change in net position of governmental activities	\$	1,980,645
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The accompanying notes are an integral part of these financial statements.

HYRUM CITY CORPORATION
Statement of Net Position – Proprietary Funds
June 30, 2025

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Irrigation	Nonmajor Fund Storm Water	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,444,606	\$ 5,570,939	\$ 5,818,654	\$ 1,024,342	\$ 899,321	\$ 15,757,862
Cash and cash equivalents, restricted	-	312,572	512,268	-	-	824,840
Accounts receivable, net						
Utility customers	178,232	298,531	1,385,863	42,659	50,264	1,955,549
Lease	-	231,861	-	-	-	231,861
Inventories	304,174	-	2,068,981	215,434	-	2,588,589
Total current assets	2,927,012	6,413,903	9,785,766	1,282,435	949,585	21,358,701
Noncurrent assets:						
Deposits	2,250	3,000	-	-	-	5,250
Intangible assets - power purchase agreement:	-	-	49,434	-	-	49,434
Capital assets:						
Land	545,266	587,937	823,440	86,384	40,566	2,083,593
Water shares	984,731	-	-	1,158,877	-	2,143,608
Construction in progress	439,951	-	4,067,720	110,548	255,173	4,873,392
Right to use assets	-	-	32,311	-	-	32,311
Buildings and improvements	440,702	-	1,494,900	-	-	1,935,602
Infrastructure	13,112,587	18,430,043	24,495,680	7,191,779	1,147,067	64,377,156
Automobiles, machinery and equipment	2,579,927	463,925	3,285,479	194,312	225,245	6,748,888
Less: accumulated depreciation	(10,475,827)	(12,444,824)	(8,816,126)	(5,725,162)	(694,977)	(38,156,916)
Total capital assets, net	7,627,337	7,037,081	25,383,404	3,016,738	973,074	44,037,634
Total noncurrent assets	7,629,587	7,040,081	25,432,838	3,016,738	973,074	44,092,318
Total assets	10,556,599	13,453,984	35,218,604	4,299,173	1,922,659	65,451,019
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	70,346	94,724	239,589	16,529	4,463	425,651
LIABILITIES						
Current liabilities:						
Accounts payable	36,323	39,257	723,437	-	6,255	805,272
Accrued liabilities	5,038	5,507	48,068	1,717	387	60,717
Compensated absences	39,921	29,293	132,406	7,927	4,571	214,118
Customer deposits	-	-	512,268	-	-	512,268
Accrued interest payable	-	320	-	-	-	320
Loan payable, current	-	45,058	474,000	-	-	519,058
Total current liabilities	81,282	119,435	1,890,179	9,644	11,213	2,111,753
Noncurrent liabilities:						
Compensated absences	85,272	52,967	199,584	17,717	8,551	364,091
Loan payable	-	2,177,459	12,927,000	-	-	15,104,459
Net pension liability	52,861	71,179	180,036	12,420	3,353	319,849
Total noncurrent liabilities	138,133	2,301,605	13,306,620	30,137	11,904	15,788,399
Total liabilities	219,415	2,421,040	15,196,799	39,781	23,117	17,900,152
DEFERRED INFLOWS OF RESOURCES						
Pension related	142	191	484	33	9	859
Lease related	-	205,501	-	-	-	205,501
Total deferred outflows of resources	142	205,692	484	33	9	206,360
NET POSITION						
Net investment in capital assets	7,627,337	4,814,564	11,982,404	3,016,738	973,074	28,414,117
Restricted for debt service	-	312,572	-	-	-	312,572
Restricted for capital projects	-	139,396	-	-	-	139,396
Unrestricted	2,780,051	5,655,444	8,278,506	1,259,150	930,922	18,904,073
Total net position	\$ 10,407,388	\$ 10,921,976	\$ 20,260,910	\$ 4,275,888	\$ 1,903,996	\$ 47,770,158

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

HYRUM CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Irrigation	Nonmajor Fund Storm Water	Total
OPERATING REVENUES						
Charges for services:						
Metered sales	\$ 1,518,176	\$ 2,376,818	\$ 12,372,997	\$ 371,977	\$ 394,352	\$ 17,034,320
Connection and service fees	27,582	3,104	1,892,571	(500)	9,150	1,931,907
Energy use taxes	-	-	565,604	-	-	565,604
Lease revenue	17,550	-	-	-	-	17,550
Miscellaneous	1,966	15,566	-	72,888	-	90,420
Total operating revenues	1,565,274	2,395,488	14,831,172	444,365	403,502	19,639,801
OPERATING EXPENSES						
Personnel services	460,952	607,201	1,512,008	108,073	30,510	2,718,744
Office and administrative	80,210	511,277	178,074	57,438	28,645	855,644
Purchase of power	-	-	7,509,579	-	-	7,509,579
General operating	525,831	166,959	681,467	95,868	333,549	1,803,674
Repairs and maintenance	358,964	276,056	486,857	66,978	7,433	1,196,288
Depreciation and amortization	466,461	587,103	1,327,642	163,896	59,882	2,604,984
Total operating expenses	1,892,418	2,148,596	11,695,627	492,253	460,019	16,688,913
Operating income (loss)	(327,144)	246,892	3,135,545	(47,888)	(56,517)	2,950,888
NONOPERATING REVENUES (EXPENSES)						
Interest income	122,148	275,219	271,696	46,248	56,781	772,092
Gain on sale of assets	-	-	1,500	-	-	1,500
Interest expense	-	(39,200)	(592,325)	-	-	(631,525)
Total nonoperating revenues (expenses)	122,148	236,019	(319,129)	46,248	56,781	142,067
Income (loss) before contributions and transfers	(204,996)	482,911	2,816,416	(1,640)	264	3,092,955
Capital contributions - impact fees	152,378	146,222	109,027	49,228	-	456,855
Transfers in	-	-	-	-	-	-
Change in net position	(52,618)	629,133	2,925,443	47,588	264	3,549,810
Total net position, beginning	10,460,006	10,292,843	17,335,467	4,228,300	1,903,732	44,220,348
Total net position, ending	\$ 10,407,388	\$ 10,921,976	\$ 20,260,910	\$ 4,275,888	\$ 1,903,996	\$ 47,770,158

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

HYRUM CITY CORPORATION, UTAH
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Electric	Irrigation	Nonmajor Fund	Total
					Storm Water	
Cash flows from operating activities						
Receipts from customers and users	\$ 1,599,810	\$ 2,384,034	\$ 14,995,332	\$ 443,394	\$ 400,128	\$ 19,822,698
Payments to suppliers	(942,432)	(934,068)	(9,725,673)	(221,510)	(365,182)	(12,188,865)
Payments to employees	(439,136)	(589,085)	(1,363,942)	(102,321)	(30,323)	(2,524,807)
Net cash from operating activities	218,242	860,881	3,905,717	119,563	4,623	5,109,026
Cash flows from noncapital financing activities						
Cash received from other funds	-	-	-	-	-	-
Cash flows from capital and related financing activities						
Impact fees received	152,378	146,222	109,027	49,228	-	456,855
Aquisition of capital assets	(473,286)	(508,279)	(14,588,733)	(86,028)	(215,294)	(15,871,620)
Proceeds from sales of capital assets	-	-	1,500	-	-	1,500
Proceeds from capital debt	-	-	13,860,000	-	-	13,860,000
Principal paid on capital debt	-	(44,278)	(459,000)	-	-	(503,278)
Interest paid on capital debt	-	(39,200)	(592,325)	-	-	(631,525)
Net cash from capital and related financing activities	(320,908)	(445,535)	(1,669,531)	(36,800)	(215,294)	(2,688,068)
Cash flows from investing activities						
Interest received	122,148	275,219	271,696	46,248	56,781	772,092
Net change in cash and cash equivalents	19,482	690,565	2,507,882	129,011	(153,890)	3,193,050
Cash and cash equivalents, beginning of year	2,425,124	5,192,946	3,823,040	895,331	1,053,211	13,389,652
Cash and cash equivalents, end of year	\$ 2,444,606	\$ 5,883,511	\$ 6,330,922	\$ 1,024,342	\$ 899,321	\$ 16,582,702
Unrestricted cash	\$ 2,444,606	\$ 5,818,654	\$ 899,321	\$ 1,053,211	\$ (153,890)	\$ 10,061,902
Restricted cash	-	512,268	-	-	-	512,268
Total cash and cash equivalents	\$ 2,444,606	\$ 6,330,922	\$ 899,321	\$ 1,053,211	\$ (153,890)	\$ 10,574,170
Business-type Activities - Enterprise Funds						
	Water	Sewer	Electric	Irrigation	Nonmajor Fund	Total
					Storm Water	
Reconciliation of operating income (loss) to net cash from operating activities						
Operating income (loss)	\$ (327,144)	\$ 246,892	\$ 3,135,545	\$ (47,888)	\$ (56,517)	\$ 2,950,888
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	466,461	587,103	1,327,642	163,896	59,882	2,604,984
Net pension adjustment	16,356	1,908	41,770	2,279	1,777	64,090
Changes in assets and liabilities:						
Accounts receivable	34,536	(11,454)	164,160	(971)	(3,374)	182,897
Lease receivable	-	11,973	-	-	-	11,973
Inventories	(5,251)	-	(283,686)	1,956	-	(286,981)
Prepaid expenses	-	-	-	-	-	-
Accounts payable	27,824	8,366	(608,810)	(3,182)	4,445	(571,357)
Accrued expenses	(11,107)	(16,095)	(20,942)	(1,715)	(783)	(50,642)
Deposits	-	-	22,800	-	-	22,800
Compensated absences	16,567	32,188	127,238	5,188	(807)	180,374
Net cash from operating activities	\$ 218,242	\$ 860,881	\$ 3,905,717	\$ 119,563	\$ 4,623	\$ 5,109,026

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

HYRUM CITY CORPORATION, UTAH
Statement of Fiduciary Net Position – Custodial Fund
June 30, 2025

	<u>Justice Court</u>
ASSETS	
Cash and cash equivalents, restricted	\$ 38,520
Accounts receivable - fines	<u>840</u>
Total assets	<u><u>\$ 39,360</u></u>
LIABILITIES	
Due to other governments	<u><u>\$ 39,360</u></u>

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

HYRUM CITY CORPORATION, UTAH
Statement of Changes in Fiduciary Net Position – Custodial Fund
For the Year Ended June 30, 2025

	<u>Justice Court</u>
ADDITIONS	
Fines collected	<u>\$ 118,162</u>
DEDUCTIONS	
Fines distributed to the State of Utah	51,962
Fines distributed to local entities	<u>66,200</u>
Net change	<u>\$ -</u>

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

NOTES TO THE
BASIC FINANCIAL STATEMENTS

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

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

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

The government reports the following major enterprise funds:

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

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

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

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

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including any lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, and post-employment benefits are recognized later, based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, when applicable, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases, when applicable, are reported as other financing sources.

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

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

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

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

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

Cash, Cash Equivalents

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

Investments

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

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

Property taxes are recognized when they are measurable and available. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due on November 30 of the same calendar year. City property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year and are, therefore, recorded as unavailable revenue.

Inventories and Prepaid Items

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

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

Capital Assets

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Compensated Absences

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

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

Pensions

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

Deferred Inflows and Outflows of Resources

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources (Continued)

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

Long-term Liabilities

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

Equity

Fund balance

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

Net Position

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

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

Leases

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

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

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

For the year ended June 30, 2025, the City recognized \$11,714 in lease revenue and \$5,648 in related interest revenue.

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

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

Program Revenues

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

Restricted Net Position

The following fund balances or net position are considered restricted:

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

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

Change in Accounting Principles

In June 2022, the GASB issued Statement No. 101, Compensated Absences, to improve the recognition and measurement of liabilities for compensated absences, including vacation, sick leave, and other paid leave benefits. During the fiscal year, the City implemented GASB 101. All leave policies were analyzed in relation to the new standard. The City also evaluated the effects of this implementation on the compensated absences for the fiscal year ended June 30, 2024, and determined that no significant or material adjustment to any reported fund or entity-wide activity were noted and, therefore, no restatement was required. As such, the impacts on the City's financial position, result of operation, and cash flows have been reported in the current year.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

2. DEPOSITS AND INVESTMENTS

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

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

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government, and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

As of June 30, 2025, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities (in years)</u>
		<u>Less than 1</u>
<u>Cash Equivalent</u>		
Utah Public Treasurer's Investment Fund (PTIF)	<u>\$ 1,108,313</u>	<u>\$ 1,108,313</u>

Fair Value of Investments

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

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

As of June 30, 2025, The City had the following quality rating, each with a recurring fair value measurement of Level 2:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Rating</u>
		<u>Unrated</u>
<u>Cash Equivalent</u>		
Utah Public Treasurer's Investment Fund (PTIF)	<u>\$ 1,108,313</u>	<u>\$ 1,108,313</u>

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. The PTIF is not registered with the SEC as an investment company, and it is also unrated.

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

As of June 30, 2025, the City does not hold more than 10 percent of total investments in any single security concentration other than U.S. Government Treasuries and Agencies.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal deposit policy for custodial credit risk. All investments other than bank deposits or funds invested in the state treasurer's fund are to be held by a third party with securities delivered on a delivery vs. purchase basis. As of June 30, 2025, the City safe kept all investments with a custodian counterparty and all investments which were held by the counterparty's trust department or agent are registered in the City's name. Throughout the year the City's bank balance may fluctuate and there is a credit risk when deposits are above the covered FDIC limits. As of June 30, 2025, \$18,821,432 of the City's bank balances of \$19,571,432 (which excludes outstanding checks and deposits) was uninsured and uncollateralized.

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in the Utah Public Treasurers' Investment Fund has no custodial credit risk.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Components of cash, cash equivalents, and investments (including interest earning deposits) as of June 30, 2025, are as follows:

Cash and cash equivalents on hand and on deposit:	
Cash on hand	\$ 400
Cash on deposit and money market	17,997,019
PTIF accounts	<u>1,108,313</u>
	<u><u>\$ 19,105,732</u></u>

Cash, cash equivalents, and investments are included in the accompanying combined statement of net position as follows as of June 30, 2025:

Cash and cash equivalents	\$ 17,651,268
Cash and cash equivalents, restricted	<u>1,454,464</u>
Total	<u><u>\$ 19,105,732</u></u>

3. ACCOUNTS RECEIVABLE

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

Governmental Funds

	<u>General</u>
Receivables:	
Property taxes	\$ 1,088,157
Sales and use taxes	831,645
Other taxes	32,623
Accounts	<u>708,073</u>
Gross receivables	2,660,498
Less: allowance for uncollectibles	<u>(874)</u>
Net total governmental receivables	<u><u>\$ 2,659,624</u></u>

Business-type Funds

	Water	Sewer	Electric	Irrigation	Nonmajor Enterprise	Total
Receivables:						
Utility customers	\$ 180,690	\$ 299,390	\$ 1,392,333	\$ 43,039	\$ 50,331	\$ 1,965,783
Lease	-	231,861	-	-	-	231,861
Gross receivables	180,690	531,251	1,392,333	43,039	50,331	2,197,644
Less: allowance for uncollectibles	<u>(2,458)</u>	<u>(859)</u>	<u>(6,470)</u>	<u>(380)</u>	<u>(67)</u>	<u>(10,234)</u>
Net total business-type receivables	<u><u>\$ 178,232</u></u>	<u><u>\$ 530,392</u></u>	<u><u>\$ 1,385,863</u></u>	<u><u>\$ 42,659</u></u>	<u><u>\$ 50,264</u></u>	<u><u>\$ 2,187,410</u></u>

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

4. INTERFUND ACTIVITY

	Transfers in:	
	<u>Governmental funds</u>	
	Capital	
	Projects	
	<u>Fund</u>	<u>Total</u>
Transfers out:		
General fund	\$ 700,000	\$ 700,000

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

5. CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2025, was as follows:

	07/01/24	Increases	Transfers and Decreases	06/30/25
Capital assets, not depreciated:				
Land	\$ 1,344,000	\$ 80,076	\$ -	\$ 1,424,076
Construction in progress	6,265,204	181,632	(6,024,755)	422,081
Total capital assets, not depreciated	7,609,204	261,708	(6,024,755)	1,846,157
Capital assets, depreciated:				
Buildings	10,371,609	525,953	(19,098)	10,878,464
Improvements	5,113,685	7,585,290	-	12,698,975
Infrastructure	12,648,598	366,273	-	13,014,871
Automobiles, machinery and equipment	4,808,427	1,438,546	(98,368)	6,148,605
Total capital assets, depreciated	32,942,319	9,916,062	(117,466)	42,740,915
Accumulated depreciation:				
Buildings	(6,197,869)	(425,769)	890	(6,622,748)
Improvements	(2,359,725)	(336,633)	-	(2,696,358)
Infrastructure	(8,711,356)	(208,581)	-	(8,919,937)
Automobiles, machinery and equipment	(3,170,422)	(413,523)	78,838	(3,505,107)
Total accumulated depreciation	(20,439,372)	(1,384,506)	79,728	(21,744,150)
Total capital assets, depreciated (net)	12,502,947	8,531,556	(37,738)	20,996,765
Net governmental capital assets	\$ 20,112,151	\$ 8,793,264	\$ (6,062,493)	\$ 22,842,922

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 26,435
Public safety	578,900
Highways and public improvements	548,320
Parks, recreation, and public property	230,851
Total depreciation expense - governmental activities	\$ 1,384,506

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity in the business-type activities for the year ended June 30, 2025, was as follows:

	07/01/24	Increases	Transfers and Decreases	06/30/25
Capital assets, not depreciated:				
Land	\$ 2,083,593	\$ -	\$ -	\$ 2,083,593
Water shares	2,143,608	-	-	2,143,608
Construction in progress	5,527,260	865,666	(1,519,534)	4,873,392
Total capital assets, not depreciated	9,754,461	865,666	(1,519,534)	9,100,593
Capital assets, depreciated:				
Buildings and improvements	1,935,602	-	-	1,935,602
Infrastructure	48,391,489	15,985,667	-	64,377,156
Automobiles, machinery and equipment	6,217,067	539,821	(8,000)	6,748,888
Right-to-use asset	32,311	-	-	32,311
Total capital assets, depreciated	56,576,469	16,525,488	(8,000)	73,093,957
Accumulated depreciation:				
Buildings and improvements	(916,861)	(52,754)	-	(969,615)
Infrastructure	(30,613,524)	(2,102,475)	-	(32,715,999)
Automobiles, machinery and equipment	(4,049,157)	(397,834)	8,000	(4,438,991)
Right-to-use asset	(32,068)	(243)	-	(32,311)
Total accumulated depreciation	(35,611,610)	(2,553,306)	8,000	(38,156,916)
Total capital assets, depreciated (net)	20,964,859	13,972,182	-	34,937,041
Net business-type capital assets	\$ 30,719,320	\$ 14,837,848	\$ (1,519,534)	\$ 44,037,634

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water	\$ 466,461
Sewer	587,103
Electric	1,275,964
Irrigation	163,896
Storm Water	59,882
Total depreciation expense - business-type activities	\$ 2,553,306

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

6. DEPOSITS

General Fund - Deposits in the general fund as of June 30, 2025, are as follows:

Builders' deposits	\$ 610,910
Parks and public properties	2,550
Excavation deposits	<u>241,687</u>
Total	<u>\$ 855,147</u>

Enterprise Funds – Electric utility deposits are recorded in the electric utility fund. As of June 30, 2025, deposits are as follows:

Electric utility customer deposits	<u>\$ 512,268</u>
Total	<u>\$ 512,268</u>

7. LONG-TERM DEBT

Loan Payable

Governmental Activities. As of June 30, 2025, the City did not have any loans payable.

Business-Type Activities. As of June 30, 2025, the business-type activities had the following loan payables.

On April 27, 2021, the City received a loan payable of \$2,402,000 from the United States Department of Agriculture, to finance the construction of a wastewater treatment plant. The interest rate is fixed at 1.75%. The loan is to be repaid from sewer sales from the sewer utility fund. The loan matures April 27, 2061. The City makes monthly payments on the 27th of each month. The following table shows the payments and interest:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 45,060	\$ 38,532	\$ 83,592
2027	45,854	37,738	83,592
2028	42,742	33,884	76,626
2029	51,404	39,154	90,558
2030	48,323	35,269	83,592
2031 - 2035	254,705	163,255	417,960
2036 - 2040	277,981	139,979	417,960
2041 - 2045	303,378	114,582	417,960
2046 - 2050	331,105	86,855	417,960
2051 - 2055	361,350	56,610	417,960
2056 - 2060	394,370	23,590	417,960
2061	<u>66,245</u>	<u>514</u>	<u>66,759</u>
	<u>\$ 2,222,517</u>	<u>\$ 769,962</u>	<u>\$ 2,992,479</u>

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

7. LONG-TERM DEBT (CONTINUED)

On July 9, 2024, the City signed a loan payable agreement totaling \$13,860,000 with the Utah Associated Municipal Power Systems (UAMPS), to finance the construction of a local power generator. The interest rate is variable from 4.27% to 5.85%. The loan is to be repaid from power sales from the electric utility fund. The loan matures May 9, 2044. The City is required to make monthly payments on the 25th of each month. The following table shows the payments and interest:

	Principal	Interest	Totals
2026	\$ 474,000	\$ 623,288	\$ 1,097,288
2027	491,000	607,172	1,098,172
2028	509,000	589,987	1,098,987
2029	528,000	571,663	1,099,663
2030	548,000	552,127	1,100,127
2031 - 2035	3,093,000	2,418,953	5,511,953
2036 - 2040	3,860,000	1,681,708	5,541,708
2041 - 2044	3,898,000	568,969	4,466,969
	<u>\$13,401,000</u>	<u>\$ 7,613,864</u>	<u>\$21,014,864</u>

Compensated Absences

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

7. **LONG-TERM DEBT (CONTINUED)**

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

Governmental Activities

	<u>06/30/24</u>	<u>Increases, net</u>	<u>Decreases, net</u>	<u>06/30/25</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Other long-term liabilities:					
Compensated absences	\$ 230,960	\$ -	\$ (44,187)	\$ 186,773	\$ 63,940
Total	<u>\$ 230,960</u>	<u>\$ -</u>	<u>\$ (44,187)</u>	<u>\$ 186,773</u>	<u>\$ 63,940</u>

Business-type Activities

	<u>06/30/24</u>	<u>Increases, net</u>	<u>Decreases, net</u>	<u>06/30/25</u>	<u>Due in One Year</u>
<u>Business-type activities</u>					
Other long-term liabilities:					
Loan payable, USDA	\$ 2,266,794	\$ -	\$ (44,277)	\$ 2,222,517	\$ 45,058
Loan payable, UAMPS	-	13,860,000	(459,000)	13,401,000	474,000
Compensated absences	<u>397,836</u>	<u>180,373</u>	<u>-</u>	<u>578,209</u>	<u>214,118</u>
Total	<u>\$ 2,664,630</u>	<u>\$ 14,040,373</u>	<u>\$ (503,277)</u>	<u>\$ 16,201,726</u>	<u>\$ 733,176</u>

For the year ended June 30, 2025, \$631,525 in interest was charged to expenditures in business-type activities.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS

General Information About the Pension Plan

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

Defined Benefit Plans

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

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

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

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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	2.0% per year all years	Up to 4%
		25 years any age*		
		20 years age 60*		
		10 years age 62*		
Tier 2 Public Employees System	Highest 5 years	4 years age 65	1.50% per year all years	Up to 2.50%
		35 years any age		
		20 years age 60*		
		10 years age 62*		
		4 years age 65		

*Actuarial reductions are applied.

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

Contribution Rate Summary - As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2025, are as follows:

Noncontributory System System 15 - Local Government	Tier 1 - DB System			Tier 2 - DB System				Tier 2 - 401(k) Option			
	Employee	Employer	Employer 401(k)	Tier 2 Fund	Employee	Employer	Employer 401(k)	Tier 2 Fund	Employee	Employer	Employer 401(k)
	-	16.97%	-	111	0.70%	15.19%	-	211	-	5.19%	10.00%

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

For fiscal year ended June 30, 2025, the employer and employee contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 207,824	\$ -
Tier 2 Public Employees System	134,269	6,191
Tier 2 DC Public Employees Plan	8,106	86
Total Contributions	<u>\$ 350,199</u>	<u>\$ 6,277</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

As of June 30, 2025, we reported a net pension asset of \$0 and a net pension liability of \$509,494.

	Measurement Date: December 31, 2024				
	Net Pension Liability	Net Pension Asset	Proportionate Share	Proportionate Share December 31, 2022	Change (Decrease)/Increase
Noncontributory System	\$ 435,013	\$ -	0.1371804%	0.1482059%	-0.0110255%
Tier 2 Public Employees System	\$ 74,481	\$ -	0.0249736%	0.0210926%	0.0038810%
Total Net Pension Asset / Liability	<u>\$ 509,494</u>	<u>\$ -</u>			

The net pension asset and liability were measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024, and roll-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the System during the plan year the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2025, the City recognized pension expense of \$482,524.

As of June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 291,405	\$ 513
Changes in assumptions	60,860	8
Net difference between projected and actual earnings on pension plan investments	135,793	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,628	849
Contributions subsequent to the measurement date	<u>175,344</u>	<u>-</u>
Total	<u>\$ 678,030</u>	<u>\$ 1,370</u>

\$175,344 was reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2024	\$ 260,280
2025	253,747
2026	(47,477)
2027	(2,691)
2028	16,680
Thereafter	20,777

Noncontributory System Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, we recognized pension expense of \$401,250.

As of June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 259,206	\$ -
Changes in assumptions	35,984	-
Net difference between projected and actual earnings on pension plan investments	131,033	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,211	-
Contributions subsequent to the measurement date	100,039	-
Total	<u>\$ 529,473</u>	<u>\$ -</u>

\$100,039 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2024	\$ 251,767
2025	240,546
2026	(53,169)
2027	(9,709)

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

For the year ended June 30, 2025, we recognized pension expense of \$81,274. As of June 30, 2025, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,199	\$ 513
Changes in assumptions	24,876	8
Net difference between projected and actual earnings on pension plan investments	4,760	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,417	849
Contributions subsequent to the measurement date	75,305	-
Total	<u>\$ 148,557</u>	<u>\$ 1,370</u>

\$75,305 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2024.

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2024	\$ 8,513
2025	13,201
2026	5,692
2027	7,018
2028	16,680
Thereafter	20,777

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were adopted from an actuarial experience study dated January 1, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2023.

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	35.00%	7.01%	2.45%
Debt securities	20.00%	2.54%	0.51%
Real assets	18.00%	5.45%	0.98%
Private equity	12.00%	10.05%	1.21%
Absolute return	15.00%	4.36%	0.65%
Cash and cash equivalents	0.00%	0.49%	0.00%
Totals	100.00%		5.80%
	Inflation		2.50%
	Expected arithmetic nominal return		8.30%

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

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

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

System	1% Decrease or (5.85%)	Discount Rate of (6.85%)	1% Increase or (7.85%)
Noncontributory System	\$ 1,839,757	\$ 435,014	\$ (743,109)
Tier 2 Public Employees System	222,457	74,480	(40,629)
Total	\$ 2,062,214	\$ 509,494	\$ (783,738)

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

8. RETIREMENT SYSTEMS (CONTINUED)

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

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

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

401(k) Plan	2025	2024	2023
Employer Contributions	\$ 78,794	\$ 74,235	\$ 84,250
Employee Contributions	106,553	82,331	105,234
457 Plan	2025	2024	2023
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	3,777	480	32,472
Roth IRA Plan	2025	2024	2023
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 62,354	\$ 60,614	\$ 54,966
Traditional IRA	2025	2024	2023
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 2,320	\$ -	\$ -

9. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

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

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

10. PROPERTY TAXES

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

HYRUM CITY CORPORATION
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

11. INVESTMENTS IN POWER PROJECTS AND RELATED CONTRACTS

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

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

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

12. FEDERAL GRANTS – ECONOMIC RECOVERY

In July 2021, the City received its first or two federal disbursements for \$510,032, and in related to the American Rescue Plan Act of 2021 (ARPA). As of June 30, 2025, the City had received a total of \$1,020,064. The City has designated these funds for utility infrastructure projects. As of June 30, 2025, no related amounts remain unspent.

13. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

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

Fund Balance Compliance

The City is required to ensure that the accumulation of unrestricted fund balance (defined by the Utah State Auditor's Office as assigned, committed, and unassigned fund balance) in its General Fund does not exceed 35% of the total revenue of the City's General Fund for the current fiscal period. As of June 30, 2025, the calculated percentage was 30.6% (unrestricted and assigned general fund balance of \$2,579,003 of total general fund revenue of \$8,426,564).

14. TAX ABATEMENT

The City does not currently offer any Tax Abatements as of June 30, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Budget and Actual Schedules:

General Fund

Pension Related Schedules:

Schedule of the Proportionate Share of the
Net Pension Liability

Schedule of Contributions

Notes to Required Supplementary Information

HYRUM CITY CORPORATION
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES</u>				
Taxes:				
Property, current	\$ 1,000,000	\$ 1,000,000	\$ 1,025,306	\$ 25,306
Property, delinquent	15,000	15,000	21,542	6,542
Sales and use tax	2,300,000	2,452,000	2,352,931	(99,069)
Energy tax	400,000	400,000	304,152	(95,848)
Telecommunications tax	55,000	56,000	35,208	(20,792)
Mass transit taxes	350,000	350,000	321,346	(28,654)
Total taxes	4,120,000	4,273,000	4,060,485	(212,515)
Licenses and permits:				
Building permits	50,000	51,000	53,369	2,369
Business licenses	23,000	28,000	28,035	35
Animal licenses	11,000	12,000	10,343	(1,657)
Total licenses and permits	84,000	91,000	91,747	747
Intergovernmental:				
Federal grants:				
Other	4,000	4,000	568,405	564,405
State grants:				
Class C roads	1,200,000	1,200,000	1,035,916	(164,084)
Other	12,000	12,000	11,610	(390)
Local grants	734,000	734,000	(11,610)	(745,610)
Total intergovernmental	1,950,000	1,950,000	1,604,321	(345,679)
Charges for services:				
Solid waste collection fees	1,100,000	1,128,000	1,133,540	5,540
Emergency medical services	210,000	210,000	207,074	(2,926)
Special protective services	165,000	195,000	156,039	(38,961)
Zoning and subdivision fees	50,000	53,000	136,935	83,935
Cemetery fees	80,000	100,000	95,090	(4,910)
Library use fees	70,000	70,000	68,585	(1,415)
Recreation fees	20,000	20,000	19,728	(272)
Youth Council activities	3,000	5,000	6,934	1,934
Library copy and laminating fees	2,000	2,500	2,256	(244)
Sale of maps and publications	1,000	1,000	113	(887)
Community progress fees	2,000	4,000	150	(3,850)
Total charges for services	1,703,000	1,788,500	1,826,444	37,944
Fines and forfeitures:				
Court Fines	100,000	120,000	127,578	7,578
Library fines	6,500	6,500	5,795	(705)
Animal control fees	1,000	1,000	3	(997)
Parking tickets	950	950	785	(165)
	108,450	128,450	134,161	5,711
Leases and rents:				
Building and facility rental	60,000	90,000	88,172	(1,828)
Library room rental	100	150	130	(20)
Total leases and rents	60,100	90,150	88,302	(1,848)
Interest and dividends	148,800	148,800	95,216	(53,584)
Impact fees:				
Park related	177,400	177,400	133,020	(44,380)
Road related	46,800	46,800	40,508	(6,292)
Total impact fees	224,200	224,200	173,528	(50,672)
Payments in lieu of taxes	50,000	55,000	59,534	4,534
Donations:				
Museum	10,000	40,000	36,583	(3,417)
Library	2,000	2,000	-	(2,000)
Miscellaneous	32,000	35,500	23,330	(12,170)
	44,000	77,500	59,913	(17,587)
Miscellaneous:				
Refunds and other payments	100,000	215,000	225,171	10,171
Sale of supplies	10,000	10,000	5,649	(4,351)
Sale of library items	1,000	2,200	2,093	(107)
Total miscellaneous	111,000	227,200	232,913	5,713
Total revenues	8,603,550	9,053,800	8,426,564	(581,557)

HYRUM CITY CORPORATION, UTAH
Comparative Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>EXPENDITURES</u>				
Current:				
General government:				
City council	47,250	47,250	39,884	7,366
Youth city council	11,550	11,550	11,667	(117)
Mayor	30,050	30,050	9,913	20,137
Administrative services	194,450	209,450	201,681	7,769
Justice court	122,250	124,250	87,808	36,442
Elections	500	500	220	280
Non-departmental	18,200	18,700	14,073	4,627
Government buildings	121,650	124,650	142,584	(17,934)
Total general government	545,900	566,400	507,830	58,570
Public safety:				
Police	295,500	295,500	295,254	246
Fire and emergency response	545,350	570,850	460,710	110,140
Animal control	53,020	53,020	21,007	32,013
Total public safety	893,870	919,370	776,971	142,399
Community development:				
Planning and zoning	415,600	425,600	163,650	261,950
Engineering	100,250	103,250	61,185	42,065
Total community development	515,850	528,850	224,835	304,015
Streets and public works:				
Road projects	751,600	751,600	646,325	105,275
City shop	23,300	23,300	5,142	18,158
Solid waste collection	991,000	1,016,000	1,097,393	(81,393)
Total public works	1,765,900	1,790,900	1,748,860	42,040
Parks, recreation, and culture:				
Senior citizens	155,400	155,400	113,446	41,954
Parks	518,800	538,800	571,015	(32,215)
Recreation	169,400	169,400	95,268	74,132
Community events	478,450	478,450	426,067	52,383
Museum	93,450	103,450	97,184	6,266
Library	436,600	446,600	417,788	28,812
Cemetery	205,750	205,750	128,930	76,820
Total parks, recreation, and culture	2,057,850	2,097,850	1,849,698	248,152
Capital outlay				
General government	819,000	819,000	602,307	216,693
Streets and public Works	2,046,500	2,046,500	1,145,075	901,425
Parks, recreation, and culture	683,500	683,500	569,326	114,174
Total capital outlay	3,549,000	3,549,000	2,316,708	1,232,292
Total expenditures	9,328,370	9,452,370	7,424,902	2,027,468
Excess of revenues over expenditures	(724,820)	(398,570)	1,001,662	1,400,232
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of capital assets	35,000	65,000	51,200	(13,800)
Transfers in	1,097,820	991,570	-	(991,570)
Transfers out	(450,000)	(700,000)	(700,000)	-
Total other financing sources (uses)	682,820	356,570	(648,800)	(1,005,370)
Net change in fund balance	(42,000)	(42,000)	352,862	394,862
Fund balance, beginning of year (as restated)	-	-	2,325,525	2,325,525
Fund balance, end of year	\$ (42,000)	\$ (42,000)	\$ 2,678,387	\$ 2,720,387

HYRUM CITY CORPORATION, UTAH
Schedule of the Proportionate Share of the
Net Pension Liability
(Provided by Utah Retirement Systems)
Last 10 Years, Measurement Date of December 31,

	Noncontributory Retirement System	Tier 2 Public Employees Retirement System
2024		
Proportion of the net pension liability (asset)	0,1371804%	0,0249736%
Proportionate share of the net pension liability (asset)	\$ 435,105	\$ 74,481
Covered payroll	\$ 1,343,523	\$ 739,139
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32,39%	10,08%
Plan fiduciary net position as a percentage of its covered payroll	96,02%	87,44%
2023		
Proportion of the net pension liability (asset)	0,1482059%	0,0210926%
Proportionate share of the net pension liability (asset)	\$ 343,773	\$ 41,054
Covered payroll	\$ 1,475,236	\$ 545,316
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23,30%	7,53%
Plan fiduciary net position as a percentage of its covered payroll	96,02%	87,44%
2022		
Proportion of the net pension liability (asset)	0,1607308%	0,0221557%
Proportionate share of the net pension liability (asset)	\$ 275,291	\$ 24,125
Covered payroll	\$ 1,530,572	\$ 482,320
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17,99%	5,00%
Plan fiduciary net position as a percentage of its covered payroll	97,50%	92,30%
2021		
Proportion of the net pension liability (asset)	0,1627340%	0,0204594%
Proportionate share of the net pension liability (asset)	\$ (931,993)	\$ (8,659)
Covered payroll	\$ 1,482,923	\$ 379,640
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-62,85%	-2,28%
Plan fiduciary net position as a percentage of its covered payroll	108,70%	103,80%
2020		
Proportion of the net pension liability (asset)	0,1599760%	0,2038900%
Proportionate share of the net pension liability (asset)	\$ 82,058	\$ 2,933
Covered payroll	\$ 1,441,819	\$ 325,868
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	5,69%	0,90%
Plan fiduciary net position as a percentage of its covered payroll	99,20%	98,30%
2019		
Proportion of the net pension liability (asset)	0,1431980%	0,1638760%
Proportionate share of the net pension liability (asset)	\$ 539,695	\$ 3,686
Covered payroll	\$ 1,279,108	\$ 227,558
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42,19%	1,62%
Plan fiduciary net position as a percentage of its covered payroll	93,70%	96,50%
2018		
Proportion of the net pension liability (asset)	0,1380170%	0,1519680%
Proportionate share of the net pension liability (asset)	\$ 1,016,321	\$ 6,508
Covered payroll	\$ 1,207,406	\$ 177,110
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	84,17%	3,67%
Plan fiduciary net position as a percentage of its covered payroll	87,00%	90,80%
2017		
Proportion of the net pension liability (asset)	0,1432240%	0,1348340%
Proportionate share of the net pension liability (asset)	\$ 627,507	\$ 1,189
Covered payroll	\$ 1,254,680	\$ 132,021
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50,01%	0,90%
Plan fiduciary net position as a percentage of its covered payroll	91,90%	97,40%
2016		
Proportion of the net pension liability (asset)	0,1359410%	0,0147654%
Proportionate share of the net pension liability (asset)	\$ 872,908	\$ 1,647
Covered payroll	\$ 1,177,746	\$ 121,089
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	74,12%	1,36%
Plan fiduciary net position as a percentage of its covered payroll	87,30%	95,10%
2015		
Proportion of the net pension liability (asset)	0,1438510%	0,0087766%
Proportionate share of the net pension liability (asset)	\$ 813,978	\$ (19)
Covered payroll	\$ 1,239,164	\$ 56,699
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65,69%	-0,03%
Plan fiduciary net position as a percentage of its covered payroll	87,80%	102,20%

HYRUM CITY CORPORATION, UTAH
Schedule of Contributions
(Provided by Utah Retirement Systems)
Last 10 Fiscal Years

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Noncontributory Retirement System	2016	225,022	225,022	-	1,223,156	18.40%
	2017	224,503	224,503	-	1,220,326	18.40%
	2018	226,768	226,768	-	1,231,629	18.41%
	2019	222,043	222,043	-	1,202,185	18.47%
	2020	253,625	253,625	-	1,373,173	18.47%
	2021	272,126	272,126	-	1,473,342	18.47%
	2022	278,243	278,243	-	1,506,462	18.47%
	2023	275,527	275,527	-	1,533,262	17.97%
	2024	255,726	255,726	-	1,423,070	17.97%
	2025	207,824	207,824	-	1,252,903	16.59%
Tier 2 Public Employees System*	2016	13,645	13,645	-	91,515	14.91%
	2017	23,534	23,534	-	157,843	14.91%
	2018	21,960	21,960	-	145,336	15.11%
	2019	31,026	31,026	-	199,653	15.54%
	2020	46,396	46,396	-	296,383	15.65%
	2021	55,409	55,409	-	351,960	15.74%
	2022	65,906	65,906	-	410,117	16.07%
	2023	87,382	87,382	-	545,797	16.01%
	2024	94,635	94,635	-	591,098	16.01%
	2025	134,269	134,269	-	892,514	15.04%
Tier 2 Public Employees DC Only System*	2016	5,151	5,151	-	76,996	6.69%
	2017	5,650	5,650	-	84,448	6.69%
	2018	6,821	6,821	-	101,959	6.69%
	2019	7,392	7,392	-	111,489	6.63%
	2020	4,189	4,189	-	62,619	6.69%
	2021	6,911	6,911	-	103,304	6.69%
	2022	7,672	7,672	-	114,672	6.69%
	2023	7,732	7,732	-	124,903	6.19%
	2024	8,900	8,900	-	143,787	6.19%
	2025	8,106	8,106	-	156,247	5.19%

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

HYRUM CITY CORPORATION, UTAH
Notes to the Required Supplementary Information
For the Year Ended June 30, 2025

1. **BUDGET INFORMATION**

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

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

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

1. On or before the first regular scheduled meeting in May, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance those expenditures.
2. Prior to the formal adoption of the budget, the City Council will hold budget workshop meetings which are open to the public.
3. Prior to budget adoption the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing, the budget, as amended, is legally enacted through passage of a resolution or ordinance.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. Budgets for the General Fund and the Capital Projects Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2025 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.
7. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded for the applicable appropriation, is utilized in the General Fund. For budgetary purposes appropriations lapse at fiscal year end and except for that portion related to encumbered amounts.

HYRUM CITY CORPORATION, UTAH
Notes to the Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

1. **BUDGET INFORMATION (CONTINUED)**

Summary of Action Required for Budget Changes

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

2. **CHANGES IN ASSUMPTIONS FOR INFORMATION PROVIDED BY URS**

There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

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OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds:

Budget and Actual Schedules – Capital Projects

HYRUM CITY CORPORATION, UTAH
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest and dividends	\$ 100,000	\$ 100,000	\$ 40,590	\$ (59,410)
Donations	-	-	-	-
Total revenues	100,000	100,000	40,590	(59,410)
<u>EXPENDITURES</u>				
Capital outlay:				
Public safety	400,000	550,000	485,975	64,025
Parks, recreation, and culture	1,719,000	1,819,000	1,350,332	468,668
Total capital outlay	2,119,000	2,369,000	1,836,307	532,693
Deficit of revenues over expenditures	(2,019,000)	(2,269,000)	(1,795,717)	473,283
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	2,019,000	2,269,000	700,000	(1,569,000)
Net change in fund balance	-	-	(1,095,717)	(1,095,717)
Fund balance, beginning of year	-	-	1,725,341	1,725,341
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,624</u>	<u>\$ 629,624</u>

COMPLIANCE SECTION



COMMITTED. EXPERIENCED. TRUSTED.

PARTNERS

MICHAEL L. SMITH, CPA

JASON L. TANNER, CPA

ROBERT D. WOOD, CPA

AARON R. HIXSON, CPA

TED C. GARDINER, CPA

JEFFREY B. MILES, CPA

JESSE S. MALMROSE, EA

JANICE ANDERSON, EA

TROY F. NILSON, CPA

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hyrum City Corporation (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance with the *State Audit Compliance Guide* that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

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

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.

HBMC, LLC

December 29, 2025
Bountiful, Utah



COMMITTED. EXPERIENCED. TRUSTED.

PARTNERS

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

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

Report on Compliance

We have audited Hyrum City Corporation's (the City) compliance with the applicable state compliance requirements described in the Utah State Compliance Audit Guide, issued by the Office of the Utah State Auditor, for the year ended June 30, 2025.

State compliance requirements were tested for the year ended June 30, 2025 in the following areas:

Budgetary Compliance	Fraud Risk Assessment
Fund Balance	Government Fees
Justice Courts	Impact Fees
Restricted Taxes and Related Revenues	Utah Retirement Systems

Opinion on Compliance

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide* but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on 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 to detect and correct noncompliance with a state compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Purpose of This Report

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

HBME, LLC

December 29, 2025
Bountiful, Utah

HYRUM CITY CORPORATION, UTAH
Schedule of Findings
For the Year Ended June 30, 2025

Internal Controls – Material Weakness

2025-001

Account Reconciliation and Financial Close Process – REPEAT FINDING FROM FY2023 AND FY2024

Statement of Condition

Throughout the performance of our audit procedures, we noted certain general ledger accounts related to cash, capital assets, accounts payable, accrued expenses, and long-term debt were not reconciled to adequate supporting schedules as of June 30, 2025, as provided by management, and transactions related to opening balances for certain significant accounts. We noted journal entries posted to previously closed balances, which then made account balances not agree to audited balances.

Cause

After the close of the audit year (June 30, 2025), the City hired a Certified Professional Accountant with relevant governmental accounting experience, in part to address this finding and to enhance the City's internal control policies. It did not appear, however, that sufficient time was available to fully implement management's desired changes. Furthermore, some of the changes resulted in opening balances unintentionally no longer agreeing to the previous year's audited statements. The City continues to rely on the audit firm to verify balances are correct at year-end and make any necessary adjustments.

Effect or Potential Effect

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

Recommendation

We recommend management ensures that all written policies and procedures be followed and updated to include adequate year-end financial closing procedures. This includes ensuring that all general ledger accounts are adjusted to agree with the audited financial statements, as necessary, and that no further adjustments are made to closed periods without purpose and discussion.

Management's Response

The City will ensure that all general ledger accounts agree with the audited financial statements and that all accounts are properly classified in the accounting software, as recommended by the vendor.

Current Year Status

Findings 2024-001 and 2023-001 not deemed to be satisfied. Added as repeat finding.

HYRUM CITY CORPORATION, UTAH
Schedule of Findings
For the Year Ended June 30, 2025

State Compliance

Current Year

No written findings requiring disclosure were noted during testing procedures for the year ended June 30, 2025.

Prior Year

No written findings requiring disclosure were noted during testing procedures for the year ended June 30, 2024.