

TOWN OF EUREKA CITY

FINANCIAL STATEMENTS

JUNE 30, 2016

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

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Eureka City
Eureka City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2017 on our consideration of Eureka City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eureka City's internal control over financial reporting and compliance.

Gilbert & Stewart

GILBERT & STEWART, CPA, PC

Certified Public Accountants

Provo, UT 84601

October 25, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Eureka City, we offer readers of Town of Eureka City's financial statements this narrative overview and analysis of the financial activities of Town of Eureka City for the fiscal year ended June 30, 2016.

Financial Highlights

- The total net assets of the governmental activities of \$1,464,021 is composed of \$1,003,443 of investment in capital assets, \$194,914 restricted for roads, and \$265,664 of unrestricted net assets. Total net assets decreased by \$19,971 from the prior year.
- As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$434,694. Of this amount, \$194,914 is restricted and must only be spent on the projects for which the money is restricted. The remaining \$239,780 is unassigned in the general fund.
- In the enterprise (proprietary) funds, operating revenues decreased by \$13,021. Corresponding operating expenses increased by \$41,923.
- In the enterprise (proprietary) funds, nonoperating revenues increased by \$2,456,527 due to an increase in grant revenues related to the water and sewer projects.

Reporting the City as a Whole

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

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

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

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

Government-Wide Financial Analysis

Capitalized net assets may serve over time as a useful indicator of a government's financial position. In the case of Town of Eureka City, assets exceed liabilities by \$9,001,074.

One of the largest portions of Town of Eureka City's net assets (88%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 657,458	\$ 605,985	\$ 2,990,852	\$ 2,848,469	\$ 3,648,310	\$ 3,454,454
Capital assets	1,003,443	1,065,713	9,971,903	3,821,191	10,975,346	4,886,904
Total assets	<u>1,660,901</u>	<u>1,671,698</u>	<u>12,962,755</u>	<u>6,669,660</u>	<u>14,623,656</u>	<u>8,341,358</u>
Deferred outflows of resources						
Pension related costs	8,998	2,915	18,459	6,109	27,457	9,024
Total assets	<u>8,998</u>	<u>2,915</u>	<u>18,459</u>	<u>6,109</u>	<u>27,457</u>	<u>9,024</u>
Liabilities						
Long term Liabilities	18,269	14,107	4,229,118	2,761,368	4,247,387	2,775,475
Other liabilities	143,591	132,852	1,210,827	292,303	1,354,418	425,155
Total liabilities	<u>161,860</u>	<u>146,959</u>	<u>5,439,945</u>	<u>3,053,671</u>	<u>5,601,805</u>	<u>3,200,630</u>
Deferred inflows of resources						
Unearned property taxes -future years	42,000	41,873	-	-	42,000	41,873
Pension related costs	2,019	1,790	4,216	3,751	6,235	5,541
Total deferred inflows of resources	<u>44,019</u>	<u>43,663</u>	<u>4,216</u>	<u>3,751</u>	<u>48,235</u>	<u>47,414</u>
Net assets						
Invested in capital assets						
net of related debt	1,003,443	1,065,713	6,922,342	3,031,912	7,925,785	4,097,625
Restricted	194,914	138,882	-	-	194,914	138,882
Unrestricted	265,664	279,396	614,711	586,435	880,375	865,831
Total net assets	<u>\$ 1,464,021</u>	<u>\$ 1,483,991</u>	<u>\$ 7,537,053</u>	<u>\$ 3,618,347</u>	<u>\$ 9,001,074</u>	<u>\$ 5,102,338</u>

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 47,346	\$ 46,478	\$ 457,904	\$ 470,925	\$ 505,250	\$ 517,403
Operating grants & contrib.	-	-	-	-	-	-
Capital grants & contrib.	48,204	40,307	3,879,828	1,393,712	3,928,032	1,434,019
General revenues:						
Property taxes	56,924	19,345	-	-	56,924	19,345
Sales and use tax	72,566	60,537	-	-	72,566	60,537
Franchise tax	19,729	21,113	-	-	19,729	21,113
Other taxes	3,296	1,054	-	-	3,296	1,054
Unrestricted investmt. earn.	156	194	19,870	6,777	20,026	6,971
Capital Contributions	-	-	-	-	-	-
Intergovernmental revenue	-	-	-	-	-	-
Total revenues	<u>248,221</u>	<u>189,028</u>	<u>4,357,602</u>	<u>1,871,414</u>	<u>4,605,823</u>	<u>2,060,442</u>
Expenses:						
General government	177,073	193,992	-	-	177,073	193,992
Public safety	-	5,680	-	-	-	5,680
Public works	80,486	78,650	-	-	80,486	78,650
Community development	10,106	11,323	-	-	10,106	11,323
Planning	527	519	-	-	527	519
Interest on debt	-	-	71,372	28,690	71,372	28,690
Water utility	-	-	197,384	164,792	197,384	164,792
Sewer utility	-	-	107,863	96,789	107,863	96,789
Sanitation utility	-	-	62,277	64,020	62,277	64,020
Total expenses	<u>268,192</u>	<u>290,164</u>	<u>438,896</u>	<u>354,291</u>	<u>707,088</u>	<u>644,455</u>
Increase (decr) in net assets before transfers	(19,971)	(101,136)	3,918,706	1,517,123	3,898,735	1,415,987
Transfers	-	-	-	-	-	-
Change in net assets	<u>(19,971)</u>	<u>(101,136)</u>	<u>3,918,706</u>	<u>1,517,123</u>	<u>3,898,735</u>	<u>1,415,987</u>
Net assets - beginning	1,483,991	1,600,218	3,618,347	2,212,854	5,102,338	3,813,072
Restatement of Net Assets - see note 14	-	(15,091)	-	(111,630)	-	(126,721)
Net assets - ending	<u>\$ 1,464,021</u>	<u>\$ 1,483,991</u>	<u>\$ 7,537,053</u>	<u>\$ 3,618,347</u>	<u>\$ 9,001,074</u>	<u>\$ 5,102,338</u>

Business-type activities. Business-type activities increased the City's net assets by \$3,918,706. As of the end of the current fiscal year, all three business-type funds reported positive net assets.

Financial Analysis of the Government's Funds

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$239,780, while total fund balance reached \$434,694. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 115% of total general fund expenditures, while total fund balance represents 209% of that same amount.

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

Unrestricted net assets of the combined enterprise funds at the end of the year amounted to \$614,711. The net investment in capital assets is \$6,922,342. As mentioned in the financial highlights, operational revenues and expenditures in the Enterprise funds increased during the current fiscal year.

General Fund Budgetary Highlights

During the fiscal year, the general fund’s original budget was adopted by the city council with budgeted revenues of \$355,430 and budgeted expenditures of \$355,430. The budget was amended during the year.

Capital Assets and Debt Administration

Capital Assets. Town of Eureka City’s investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$4,886,904 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Construction in progress	\$ -	\$ -	\$ 8,639,120	\$ 2,444,397	\$ 8,639,120	\$ 2,444,397
Land	118,000	118,000	75,756	75,756	193,756	193,756
Water rights	-	-	36,997	36,997	36,997	36,997
Buildings	462,993	481,468	-	-	462,993	481,468
Improvements	695	1,029	-	-	695	1,029
Equipment	-	-	13,618	-	13,618	-
Infrastructure	421,755	465,216	1,206,412	1,264,041	1,628,167	1,729,257
Total capital assets	<u>\$ 1,003,443</u>	<u>\$ 1,065,713</u>	<u>\$ 9,971,903</u>	<u>\$ 3,821,191</u>	<u>\$ 10,975,346</u>	<u>\$ 4,886,904</u>

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

Long-term debt. At the end of the current year, the City had total bonded debt outstanding of \$2,731,800 secured solely by specific revenue (enterprise) sources (i.e., revenue bonds) and notes payable.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Water bond payable 2003A	\$ -	\$ -	\$ 146,000	\$ 165,000	\$ 146,000	\$ 165,000
Water bond payable 2003B	-	-	162,000	162,000	162,000	162,000
Water project planning loan	-	-	40,000	60,000	40,000	60,000
Water bond payable 2015A	-	-	519,000	519,000	519,000	519,000
Water bond payable 2015B	-	-	1,505,865	484,985	1,505,865	484,985
Sewer bond payable 2015A	-	-	354,000	354,000	354,000	354,000
Sewer bond payable 2015B	-	-	900,000	900,000	900,000	900,000
Sewer bond payable 2015C	-	-	763,512	86,815	763,512	86,815
Total outstanding debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,390,377</u>	<u>\$2,731,800</u>	<u>\$4,390,377</u>	<u>\$2,731,800</u>

During the fiscal year 2016 the City’s total outstanding debt increased by \$1,705,200. This was a result of the debt acquired for the water and sewer projects.

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

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

Economic Factors and Next Year’s Budgets and Rates

- The general fund budget for the fiscal year ending June 30, 2016 reflects a 15% change in budgeted revenues over the fiscal year ending June 30, 2016 budget.

Request for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF EUREKA CITY

Statement of Net Assets

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 451,026	\$ 302,049	\$ 753,075
Restricted Cash	-	1,633,520	1,633,520
Receivables:			
Accounts (Net of allowance)	-	57,310	57,310
Taxes	81,656	-	81,656
Intergovernmental	-	997,973	997,973
Other Assets	124,776	-	124,776
Capital Assets (Net of accumulated depreciation):			
Construction in Progress	-	8,639,120	8,639,120
Land	118,000	75,756	193,756
Water Rights	-	36,997	36,997
Buildings	462,993	-	462,993
Improvements	695	-	695
Equipment and Systems	-	13,618	13,618
Infrastructure	421,755	1,206,412	1,628,167
Total Assets	<u>1,660,901</u>	<u>12,962,755</u>	<u>14,623,656</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related costs	8,998	18,459	27,457
Total deferred outflows of resources	<u>8,998</u>	<u>18,459</u>	<u>27,457</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	18,815	1,009,438	1,028,253
Other Liabilities	124,776	-	124,776
Deposits	-	-	-
Accrued Interest Payable	-	2,112	2,112
Long Term Liabilities			
Due Within One Year	-	199,277	199,277
Due in More Than One Year	18,269	4,229,118	4,247,387
Total liabilities	<u>161,860</u>	<u>5,439,945</u>	<u>5,601,805</u>
DEFERRED INFLOW OF RESOURCES			
Unearned property taxes levied for future years	42,000	-	42,000
Pension related costs	2,019	4,216	6,235
Total deferred outflows of resources	<u>44,019</u>	<u>4,216</u>	<u>48,235</u>
NET ASSETS			
Net investment in capital assets	1,003,443	6,922,342	7,925,785
Restricted			
C Roads	194,914	-	194,914
Unrestricted	265,664	614,711	880,375
Total Net Assets	<u>\$ 1,464,021</u>	<u>\$ 7,537,053</u>	<u>\$ 9,001,074</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Activities
For the Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues		Net (Expense) Rev & Chgs in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
Primary Government:				Governmental Activities	Business-type Activities	Total	
Governmental Activities:							
General Government	\$ 177,073	\$ 39,372	\$ -	\$ -	\$ (137,701)	\$ -	\$ (137,701)
Public Safety	0	-	-	-	0	-	0
Public Works	80,486	-	-	48,204	(32,282)	-	(32,282)
Community Development	10,106	7,974	-	-	(2,132)	-	(2,132)
Planning	527	-	-	-	(527)	-	(527)
Interest on Long-term Debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>268,192</u>	<u>47,346</u>	<u>-</u>	<u>48,204</u>	<u>(172,642)</u>	<u>-</u>	<u>(172,642)</u>
Business-type Activities:							
Water	240,318	227,241	-	2,252,872	-	2,239,795	2,239,795
Sewer	136,301	172,161	-	1,626,956	-	1,662,816	1,662,816
Sanitation	62,277	58,502	-	-	-	(3,775)	(3,775)
Total Business-type Activities	<u>438,896</u>	<u>457,904</u>	<u>-</u>	<u>3,879,828</u>	<u>-</u>	<u>3,898,836</u>	<u>3,898,836</u>
Total Primary Government	<u>\$ 707,088</u>	<u>\$ 505,250</u>	<u>\$ -</u>	<u>\$ 3,928,032</u>	<u>\$ (172,642)</u>	<u>\$ 3,898,836</u>	<u>\$ 3,726,194</u>
General Revenues:							
Property Taxes				\$ 56,924	\$ -	\$ 56,924	
General Sales and Use Tax				72,566	-	72,566	
Franchise Tax				19,729	-	19,729	
Other Taxes				3,296	-	3,296	
Unrestricted Investment Earnings				156	19,870	20,026	
Total General Revenues				<u>152,671</u>	<u>19,870</u>	<u>172,541</u>	
Change in Net Assets				(19,971)	3,918,706	3,898,735	
Net position- Beginning				1,483,991	3,618,347	5,102,338	
Net position - Ending as restated				<u>\$ 1,464,021</u>	<u>\$ 7,537,053</u>	<u>\$ 9,001,074</u>	

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Balance Sheet

Governmental Funds

June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 451,026
Restricted cash	-
Taxes receivable	81,656
Intergovernmental receivable	-
Pension assets	-
Total assets	<u>532,682</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 18,815
Deposits	-
Deferred revenue	-
Net Pension Liability	-
Total liabilities	<u>18,815</u>
Deferred inflows of resources	
Unearned property tax-levied for future years.	\$ 42,000
Unavailable property taxes - delinquent	37,173
Pension Related Costs	-
Total deferred inflows of resources	<u>79,173</u>
Fund Balances:	
Restricted	
Roads	194,914
Unassigned	239,780
Total fund balances	<u>434,694</u>
Total liabilities, deferred inflows of resources & fund balances	<u>\$ 532,682</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Balance Sheet Reconciliation to
Statement of Net Assets
June 30, 2016

Total fund balances - governmental fund types: \$ 434,694

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

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

Land	\$ 118,000	
Buildings	740,331	
Improvements	15,005	
Equipment	66,742	
Infrastructure	1,889,588	
Less Accumulated Depreciation	<u>(1,826,223)</u>	
		1,003,443

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

Delinquent Property Taxes	37,173	
Pension related costs	<u>8,998</u>	
		46,171

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

Pension Liability		(18,269)
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Deferred inflows or resources related to pensions do not require current resources and are not reported in the governmental funds

	<u>(2,019)</u>
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Net assets of government activities

	<u><u>\$ 1,464,021</u></u>
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TOWN OF EUREKA CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>
REVENUES	
Taxes	\$ 163,958
Licenses and permits	10,915
Intergovernmental	52,738
Charges for services	7,974
Fines	-
Miscellaneous	28,613
Total revenues	<u>264,198</u>
EXPENDITURES	
Current:	
General government	160,290
Public safety	0
Public works	37,025
Planning and zoning	527
Community development	9,772
Debt service:	
Principal	-
Interest	-
Total expenditures	<u>207,614</u>
Excess (deficit) of revenues over (under) Expenditures	<u>56,584</u>
Other financing sources (uses)	-
Net change in fund balance	56,584
Fund balances - beginning of year	<u>378,110</u>
Fund balances - end of year	<u><u>\$ 434,694</u></u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$	56,584
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$	-	
Contribution of Capital Assets to Enterprise Funds		-	
Depreciation Expense		<u>(62,270)</u>	(62,270)

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

Pension expenses			1,692
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.

Delinquent Taxes		486	
Withheld Sales and Franchise Taxes		<u>(16,463)</u>	<u>(15,977)</u>

Change in net assets of governmental activities	\$	<u><u>(19,971)</u></u>
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TOWN OF EUREKA CITY

Statement of Net Assets

Proprietary Funds

June 30, 2016

	Business-Type Activities - Enterprise			
	Water	Sewer	Sanitation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 781	\$ 254,722	\$ 46,546	\$ 302,049
Receivables				
Accounts (Net)	27,724	21,864	7,722	57,310
Intergovernmental	270,666	727,307	-	997,973
Total current assets	299,171	1,003,893	54,268	1,357,332
Noncurrent assets:				
Restricted Cash	495,786	1,137,734	-	1,633,520
Construction in progress	5,018,117	3,621,003	-	8,639,120
Capital assets	1,518,927	1,281,348	43,000	2,843,275
Less: Accumulated depreciation	(720,689)	(746,802)	(43,000)	(1,510,491)
Total noncurrent assets	6,312,141	5,293,283	-	11,605,424
Total assets	6,611,312	6,297,176	54,268	12,962,756
DEFERRED OUTFLOWS OF RESOURCES				
Pension related costs	9,371	9,088	-	18,459
Total deferred outflows of resources	9,371	9,088	-	18,459
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	275,708	729,372	4,359	1,009,439
Bond interest payable	2,112	-	-	2,112
Current portion of long-term debt	112,930	86,347	-	199,277
Total current liabilities	390,750	815,719	4,359	1,210,828
Noncurrent liabilities:				
Net pension liability	19,312	18,706	-	38,018
Long term debt	2,259,935	1,931,165	-	4,191,100
Total noncurrent liabilities	2,279,247	1,949,871	-	4,229,118
Total liabilities	2,669,997	2,765,590	4,359	5,439,946
DEFERRED INFLOWS OF RESOURCES				
Pension related costs	2,142	2,074	-	4,216
Total deferred inflows of resources	2,142	2,074	-	4,216
Net Assets:				
Net investment in capital assets	3,443,490	3,478,852	-	6,922,342
Unrestricted	505,054	59,748	49,909	614,711
Total net assets	\$ 3,948,544	\$ 3,538,600	\$ 49,909	\$ 7,537,053

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues:				
Charges for services	\$ -	\$ 172,161	\$ 58,502	\$ 230,663
Charges for services pledged as security on revenue bonds	227,241	-	-	227,241
Total operating revenues	<u>227,241</u>	<u>172,161</u>	<u>58,502</u>	<u>457,904</u>
Operating expenses:				
Salaries and wages	49,237	47,509	9,598	106,344
Purchased services	82,640	23,412	51,239	157,291
Supplies and materials	33,119	9,606	1,440	44,165
Depreciation and amortization	32,388	27,336	-	59,724
Total operating expenses	<u>197,384</u>	<u>107,863</u>	<u>62,277</u>	<u>367,524</u>
Operating income	<u>29,857</u>	<u>64,298</u>	<u>(3,775)</u>	<u>90,380</u>
Nonoperating revenues (expenses):				
Interest revenue	6,734	13,136	-	19,870
Intergovernmental revenue	2,252,872	1,626,956	-	3,879,828
Interest expense and fiscal charges	(42,934)	(28,438)	-	(71,372)
Total nonoperating revenues (expenses)	<u>2,216,672</u>	<u>1,611,654</u>	<u>-</u>	<u>3,828,326</u>
Net Income (loss) before Contributions and Transfers and Transfers	<u>2,246,529</u>	<u>1,675,952</u>	<u>(3,775)</u>	<u>3,918,706</u>
Change in net assets	2,246,529	1,675,952	(3,775)	3,918,706
Total net position beginning	<u>1,702,015</u>	<u>1,862,648</u>	<u>53,684</u>	<u>3,618,347</u>
Total net assets - ending	<u>\$ 3,948,544</u>	<u>\$ 3,538,600</u>	<u>\$ 49,909</u>	<u>\$ 7,537,053</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total BTAs
Cash Flows From Operating Activities				
Receipts from customers	\$ (46,850)	\$ (558,139)	\$ 57,330	\$ (547,659)
Payments to suppliers	(112,018)	686,625	(52,641)	521,966
Payments to employees	(53,295)	(50,765)	(9,604)	(113,664)
Net cash provided (used) by operating activities	<u>(212,163)</u>	<u>77,721</u>	<u>(4,915)</u>	<u>(139,357)</u>
Cash Flows From Noncapital Financing Activities	-	-	-	-
Cash Flows From Capital and Related Financing Activities				
Proceeds from the issuance of long-term debt	1,026,015	679,185	-	1,705,200
Intergovernmental revenue	2,252,872	1,626,956	-	3,879,828
Principal paid on capital debt	(44,135)	(2,488)	-	(46,623)
Purchase of capital assets	(3,378,387)	(2,832,050)	-	(6,210,437)
Interest paid on capital debt	(43,223)	(28,438)	-	(71,661)
Net cash provided (used) by capital and related financing activities	<u>(186,858)</u>	<u>(556,835)</u>	<u>-</u>	<u>(743,693)</u>
Cash Flows From Investing Activities				
Interest and dividends received	6,734	13,136	-	19,870
Net increase (decrease) in cash and cash equivalents	(392,287)	(465,978)	(4,915)	(863,180)
Cash and cash equivalents - beginning	888,854	1,858,434	51,461	2,798,749
Cash and cash equivalents - ending	<u>\$ 496,567</u>	<u>\$ 1,392,456</u>	<u>\$ 46,546</u>	<u>\$ 1,935,569</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 29,857	\$ 64,298	\$ (3,775)	\$ 90,380
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	32,388	27,336	-	59,724
(Increase) decrease in accounts receivable	(274,091)	(730,300)	(1,172)	(1,005,563)
(Increase) decrease in net pension assets	-	-	-	-
(Increase) decrease in deferred outflows	(6,267)	(6,083)	-	(12,350)
Increase (decrease) in accounts payable	3,741	719,643	38	723,422
Increase (decrease) in payroll payable	(2,315)	(1,564)	(6)	(3,885)
Increase (decrease) in net pension liability	4,288	4,162	-	8,450
Increase (decrease) in deferred inflows	236	229	-	465
Total adjustments	<u>(242,020)</u>	<u>13,423</u>	<u>(1,140)</u>	<u>(229,737)</u>
Net cash provided (used) by operating activities	<u>\$ (212,163)</u>	<u>\$ 77,721</u>	<u>\$ (4,915)</u>	<u>\$ (139,357)</u>

See accompanying notes to the financial statements.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Government Wide Financial Statements

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

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

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Measurement Focus, Basis of Accounting and Presentation

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

Assets, Liabilities, and Net Assets or Equity

A. Cash and Cash Equivalents

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

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

B. Restricted Assets

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Capital Assets

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

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

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

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

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

D. Taxes

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

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Outflows / Inflows of Resources

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

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pension costs

In addition to liabilities, the financial statements will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, revenue for future year, is reported in both the statement of net position and the governmental funds balance sheet. These amounts account for property taxes levied on January 1, 2016 for the 2016-2017 Fiscal year. The enterprise funds report deferred inflows of resources related to pension costs.

F. Long-Term Obligations

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Pensions

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

H. Fund Equity

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

I. Net Assets

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

J. Use of Estimates

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

- A. On or before the first regularly scheduled meeting of the Town council in May, the Town clerk, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held, at which time the taxpayers' comments are heard. Notice of the hearing is posted in various locations in the Town at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- D. Control of budgeted expenditures is exercised at the departmental level under state law. The Town clerk, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The Town council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing, as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

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

NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Town’s carrying amount of deposits was \$2,452,614 and the balance in the Town’s bank account and the cash on hand was \$2,386,595, with the difference being due to outstanding checks and deposits in transit.

A. Deposits

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The Town considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. Town funds are deposited in qualified depositories as defined by the Act. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Town’s custodial credit risk for deposits were as follows:

Depository Account	Custodial Credit Risk	Balance June 30, 2016
Checking and Savings	Insured and Collateralized	\$ 250,000
Checking and Savings	Uninsured and Uncollateralized	435,477
Total Deposits		\$ 685,477

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

B. Investments

The Town's investments are managed through participation in the State Public Treasurer's Investment Fund and through a trust arrangement with a local bank. As of June 30, 2016 the City's investments are treated as cash equivalents. The Town had the following investments:

Investments	Investment Maturities (in Years)				Quality Ratings
	Less Than 1	1-5	6-10	More than 10	
Utah Public Treasurer's Investment Fund	\$ 1,633,521	\$ -	\$ -	\$ -	Unrated
Certificates of Deposit	-	133,616	-	-	Unrated
Total Investments	\$ 1,633,521	\$ 133,616	\$ -	\$ -	

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

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

At June 30, 2016 the City had the following recurring fair value measurements:

Investments by fair value level	6/30/2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Certificates of Deposit	-	-	133,616	-
Utah Public Treasurers' Investment Fund	-	-	1,633,521	-
Total debt securities	\$ -	-	\$1,767,137	-
Total investments measured at fair value	\$1,767,137			

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

NOTE 4 – RECEIVABLES

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

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Taxes	\$ 71,313	\$ -	\$ -	-	\$ 71,313
Intergovernmental	10,343	-	-	-	10,343
Accounts	-	69,527	53,897	18,950	142,374
Allowance for uncollectible accounts	-	(41,803)	(32,033)	(11,228)	(85,064)
Total receivables	<u>\$ 81,656</u>	<u>\$ 27,724</u>	<u>\$ 21,864</u>	<u>\$ 7,722</u>	<u>\$ 138,966</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	<u>\$ 79,173</u>	<u>\$ 42,000</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances and transfers are created to support temporary cash deficiencies in the applicable funds. There are no interfund balances for fiscal year 2016.

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – OTHER ASSETS / OTHER LIABILITIES

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government	Ending			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction In Progress	\$ -	\$ -	\$ -	\$ -
Land	118,000	-	-	118,000
Total capital assets not being depreciated	<u>118,000</u>	<u>-</u>	<u>-</u>	<u>118,000</u>
Capital assets being depreciated:				
Buildings	740,331	-	-	740,331
Improvements	15,005	-	-	15,005
Machinery and equipment	66,742	-	-	66,742
Infrastructure	1,889,588	-	-	1,889,588
Total capital assets being depreciated	<u>2,711,666</u>	<u>-</u>	<u>-</u>	<u>2,711,666</u>
Less accumulated depreciation for:				
Buildings	258,863	18,475	-	277,338
Improvements	13,976	334	-	14,310
Machinery and equipment	66,742	0	-	66,742
Infrastructure	1,424,372	43,461	-	1,467,833
Total accumulated depreciation	<u>1,763,953</u>	<u>62,270</u>	<u>-</u>	<u>1,826,223</u>
Total capital assets, being depreciated, net	<u>947,713</u>	<u>(62,270)</u>	<u>-</u>	<u>885,443</u>
Governmental activities capital assets, net	<u>\$ 1,065,713</u>	<u>\$ (62,270)</u>	<u>\$ -</u>	<u>\$ 1,003,443</u>
	Ending			Ending
	Balance	Increases	Decreases	Balance
Business-type activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 2,444,397	\$ 6,194,723	\$ -	8,639,120
Land	75,756	-	-	75,756
Water Rights	36,997	-	-	36,997
Total capital assets not being depreciated	<u>2,557,150</u>	<u>6,194,723</u>	<u>-</u>	<u>8,751,873</u>
Capital assets being depreciated:				
Improvements	2,635,309	-	-	2,635,309
Machinery and equipment	79,500	15,713	-	95,213
Total capital assets being depreciated	<u>2,714,809</u>	<u>15,713</u>	<u>-</u>	<u>2,730,522</u>
Less accumulated depreciation for:				
Improvements	1,371,268	57,629	-	1,428,897
Machinery and equipment	79,500	2,095	-	81,595
Total accumulated depreciation	<u>1,450,768</u>	<u>59,724</u>	<u>-</u>	<u>1,510,492</u>
Total capital assets, being depreciated, net	<u>1,264,041</u>	<u>(44,011)</u>	<u>-</u>	<u>1,220,030</u>
Business-type activities capital assets, net	<u>\$ 3,821,191</u>	<u>\$ 6,150,712</u>	<u>\$ -</u>	<u>\$ 9,971,903</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 7 – CAPITAL ASSETS (Continued)

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

Governmental activities	
General government	\$ 18,475
Public safety	-
Public works	43,461
Community development	334
Total depreciation expense governmental activities	\$ 62,270
Business-type activities	
Water	\$ 32,388
Sewer	27,336
Sanitation	-
Total depreciation expense business-type activities	\$ 59,724

NOTE 8 - LONG-TERM DEBT

Long term liabilities consist of the following:

<u>Governmental Activities</u>	<u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2015</u>	<u>Due in one year</u>
Long Term Liabilities:					
Net Pension Liability	14,107	4,162	-	18,269	
Total governmental activities	\$ 14,107 *	\$ 4,162	\$ -	\$ 18,269	\$ -
<u>Business Type Activities</u>	<u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2016</u>	<u>Due in one year</u>
Bonds payable:					
Water bond payable 2003A	\$ 165,000	\$ -	\$ 19,000	\$ 146,000	\$ 19,000
Water bond payable 2003B	162,000	-	-	162,000	36,000
Water project planning loan	60,000	-	20,000	40,000	20,000
Water bond payable 2015A	519,000	-	-	519,000	17,000
Water bond payable 2015B	484,985	1,026,015	5,135	1,505,865	20,930
Sewer bond payable 2015A	354,000	-	-	354,000	12,000
Sewer bond payable 2015B	900,000	-	-	900,000	43,000
Sewer bond payable 2015C	86,815	679,185	2,488	763,512	10,139
Total bonds payable	\$ 2,731,800	\$ 1,705,200	\$ 46,623	\$ 4,390,377	\$ 178,069
Long term liabilities:					
Net Pension Liability	29,568	8450	-	38,018	
Total business type activities	\$ 2,761,368 *	\$ 1,713,650	\$ 46,623	\$ 4,428,395	\$ 178,069

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,000	\$ -	\$ 18,000
2018	18,000	-	18,000
2019	18,000	-	18,000
2020	18,000	-	18,000
2021	18,000	-	18,000
2022-2026	72,000	-	72,000
	<u>\$ 162,000</u>	<u>\$ -</u>	<u>\$ 162,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 19,000	\$ 4,248	\$ 23,248
2018	20,000	3,696	23,696
2019	20,000	3,696	23,696
2020	21,000	2,532	23,532
2021	21,000	1,920	22,920
2022-2056	45,000	3,900	48,900
	<u>\$ 146,000</u>	<u>\$ 19,992</u>	<u>\$ 165,992</u>

D) \$80,000 Water project planning loan. This loan requires annual installments of principal due beginning February 1, 2014 through February 1, 2018, bearing no interest. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,000	\$ -	\$ 20,000
2018	20,000	-	20,000
	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM DEBT (Continued)

E) \$519,000 Parity Water Revenue Bond Series 2015A. This bond requires annual installments of principal October 1, 2016 through October 1, 2045, bearing no interest. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 17,000		\$ 17,000
2018	17,000		17,000
2019	17,000		17,000
2020	17,000		17,000
2021	17,000		17,000
2022-2026	85,000		85,000
2027-2031	85,000		85,000
2032-2036	85,000		85,000
2037-2041	85,000		85,000
2042-2046	94,000		94,000
	<u>\$ 519,000</u>	<u>\$ -</u>	<u>\$ 519,000</u>

F) \$1,511,000 Parity Water Revenue Bond Series 2015B. This bond requires monthly installments of principal and interest due beginning April 4, 2016 through November 4, 2024, bearing an interest rate of 3%. This bond is a reimbursement bond and will be incurred as the funds are spent on the project. As of June 30, 2015 the City has incurred \$484,985. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,930	\$ 44,890	\$ 65,820
2018	21,567	44,254	65,821
2019	22,223	43,597	65,820
2020	22,899	42,921	65,820
2021	23,595	42,225	65,820
2022-2026	129,188	199,911	329,099
2027-2031	150,067	179,033	329,100
2032-2036	174,321	154,779	329,100
2037-2041	202,493	126,607	329,100
2042-2046	235,220	93,880	329,100
2047-2051	273,236	55,864	329,100
2052-2056	230,126	13,296	243,422
	<u>\$ 1,505,865</u>	<u>\$ 1,041,257</u>	<u>\$ 2,547,122</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM DEBT (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 12,000		\$ 12,000
2018	12,000		12,000
2019	12,000		12,000
2020	12,000		12,000
2021	12,000		12,000
2022-2026	60,000		60,000
2027-2031	60,000		60,000
2032-2036	60,000		60,000
2037-2041	60,000		60,000
2042-2046	54,000		54,000
	<u>\$ 354,000</u>	<u>\$ -</u>	<u>\$ 354,000</u>

H) \$1,300,000 Water Quality Wastewater Revenue Bond Series 2015B. This bond requires annual installments of principal October 1, 2016 through October 1, 2036, bearing no interest. This bond is a reimbursement bond and will be incurred as the funds are spent on the project. As of June 30, 2016 the City has incurred \$900,000. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 43,000		\$ 43,000
2018	43,000		43,000
2019	43,000		43,000
2020	43,000		43,000
2021	43,000		43,000
2022-2026	215,000		215,000
2027-2031	215,000		215,000
2032-2036	215,000		215,000
2037	40,000		40,000
	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - LONG-TERM DEBT (Continued)

I) \$766,000 Parity Wastewater Revenue Bond Series 2015C. This bond requires monthly installments of principal and interest due beginning April 4, 2016 through December 4, 2018, bearing an interest rate of 3%. This bond is a reimbursement bond and will be incurred as the funds are spent on the project. As of June 30, 2015 the City has incurred \$86,815. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 10,139	\$ 22,767	\$ 32,906
2018	10,448	22,458	32,906
2019	10,765	22,141	32,906
2020	11,093	21,813	32,906
2021	11,430	21,476	32,906
2022-2026	62,583	101,947	164,530
2027-2031	72,695	91,834	164,529
2032-2036	84,445	80,084	164,529
2037-2041	98,094	66,436	164,530
2042-2046	113,947	50,582	164,529
2047-2051	132,362	32,167	164,529
2052-2056	145,511	10,794	156,305
	<u>\$ 763,512</u>	<u>\$ 544,499</u>	<u>\$ 1,308,011</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 160,069	\$ 71,905	\$ 231,974
2018	162,015	70,408	232,423
2019	142,988	69,434	212,422
2020	144,992	67,266	212,258
2021	146,025	65,621	211,646
2022-2026	668,771	305,758	974,529
2027-2031	582,762	270,867	853,629
2032-2036	618,766	234,863	853,629
2037-2041	485,587	193,043	678,630
2042-2046	497,167	144,462	641,629
2047-2051	405,598	88,031	493,629
2052-2056	375,637	24,090	399,727
	<u>\$ 4,390,377</u>	<u>\$ 1,581,658</u>	<u>\$ 5,596,398</u>

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9 – RESERVED FUND BALANCES

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

<u>General Fund</u>	<u>Amount</u>
Class “C” Roads	\$ 194,914

NOTE 10 – STATE RETIREMENT PLANS

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

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- The Tier 2 Public Employees System became effective July 1 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement System (URS) is established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The URS’s defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report which can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org

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

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

**with actuarial reductions*

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 – STATE RETIREMENT PLANS (Continued)

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

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Contributory System			
111 - Local Governmental Division Tier 2	N/A	N/A	0.000%
Noncontributory			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%

For the fiscal year ended June 30, 2016, the employer contributions to the System were as follows:

System	Employer Contributions	Employee Contributions
Non Contributory System	\$ 16,769	\$ -
Total Contributions	\$ 16,769	\$ -

Pension assets, liabilities, expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 30, 2015, the City reported a net pension asset of \$0 and a net pension liability of \$56,287.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.3418200%	\$ -	\$ 56,287
Total Net Pension Asset/Liability		\$ -	\$ 56,287

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer’s actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2014, the City recognized pension expense of \$11,642. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension plans from the following sources:

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 – STATE RETIREMENT PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,484
Changes in assumptions	-	2,140
Net difference between projected and actual earnings on the pension plan investments	19,008	-
Changes in proportion and differences between contributions and proportionate shares of contributions	-	-
Contributions subsequent to the measurement date	8,449	-
Total	<u>\$ 27,457</u>	<u>\$ 4,624</u>

The \$8,449 was reported as deferred outflows of resources related to pensions resulting from contributions made prior to the fiscal year end, but subsequent to the measurement date of December 31, 2015. 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
2016	\$ 2,837
2017	2,837
2018	2,892
2019	4,207
2020	-
Thereafter	-

Actuarial assumptions – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.5-10.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 10 – STATE RETIREMENT PLANS (Continued)

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

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

Asset Class	Target Asset Allocation	Expected Return Arithmetic Basis	
		Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75% and a real return of 4.75% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension asset and liability to changes in the discount rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportion Share of Non Contributory System	\$ 118,928	\$ 56,287	\$ 3,994

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

Defined Contribution Savings Plan

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

South Utah Valley Solid Waste participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- *401(k) Plan

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

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 6,900	\$ 6,820	\$ 280

NOTE 11 - LITIGATION

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

NOTE 12 - RISK MANAGEMENT

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

TOWN OF EUREKA CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 13 – COMMITMENTS

The City is involved in a major water and wastewater project. The City's commitment to contractors for the water project and waste water project at June 30, 2016 is \$2,491,978 and \$2,879,855 respectively.

NOTE 14 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 25, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EUREKA CITY
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 152,730	\$ 152,730	\$ 163,958	\$ 11,228
Licenses and permits	11,045	11,045	10,915	(130)
Intergovernmental	107,800	107,800	52,738	(55,062)
Charges for services	30,800	30,800	7,974	(22,826)
Fines	-	-	-	-
Miscellaneous	53,055	53,055	28,613	(24,442)
Total revenues	355,430	355,430	264,198	(91,232)
EXPENDITURES				
Current:				
General government	172,730	169,605	160,290	9,315
Public safety	13,950	14,000	-	14,000
Public works	80,650	84,425	37,025	47,400
Planning and zoning	-	1,400	527	873
Community development	88,100	86,000	9,772	76,228
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	355,430	355,430	207,614	147,816
Excess (deficit) of revenues over (under) expenditures	-	-	56,584	56,584
Other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	56,584	56,584
Fund balances - beginning	378,110	378,110	378,110	-
Fund balances - ending	\$ 378,110	\$ 378,110	\$ 434,694	\$ 56,584

TOWN OF EUEKA CITY

Required Supplementary Information
 Schedule of the Proportionate Share of the Net Pension Liability
 JUNE 30, 2016
 Last 10 Fiscal Years*

	Noncontributory System	
	2015	2016
Proportion of the net pension liability (asset)	0.0100581%	0.0994730%
Proportionate share of the net pension liability (asset)	\$ 43,675	\$ 56,287
Covered employee payroll	\$ 88,382	\$ 88,604
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	49.4%	63.5%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	87.8%

*In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from the prior year note disclosure confirmation.

TOWN OF EUREKA CITY

Required Supplementary Information

Schedule of Contributions

JUNE 30, 2016

Last 10 Fiscal Years*

	<u>As of fiscal year ended June 30,</u>	<u>Actuarial determined contributions</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered Employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
Noncontributory System	2014	\$ 15,139	\$ 15,139	\$ -	\$ 87,557	17.29%
	2015	16,295	16,295	-	88,226	18.47%
	2016	16,769	16,769	-	90,791	18.47%

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

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

See accompanying notes to the required supplementary information

TOWN OF EUREKA CITY
Notes to Required Supplementary Information
For the year ended June 30, 2016

Change in Assumptions

The following actuarial assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.50% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the preretirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

OTHER REPORTS



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eureka City, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Eureka City's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies [16-1].

Compliance and Other Matters

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

Town of Eureka City's Response to Findings

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

Purpose of this Report

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

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
October 25, 2017

TOWN OF EUREKA CITY
SCHEDULE OF SIGNIFICANT DEFICIENCIES
FOR THE YEAR ENDED JUNE 30, 2016

1. Segregation of Duties

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

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

2. Draft Financial Statements

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

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

3. Adjustments to Accrual Basis of Accounting

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

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



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

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

Report On Compliance with General State Compliance Requirements

We have audited Town of Eureka City's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Town of Eureka City for the year ended June 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System Compliance
- Restricted Taxes and Related Revenues
- Cash Management
- Treasurer's Bond
- Open and Public Meetings Act

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, Town of Eureka complied, in all material respects, with the general compliance requirements referred to above that could have a direct and material effect on the Town for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in our letter to management dated October 25, 2017 as item 2016-1.

Town of Eureka's response to the noncompliance findings identified in our audit is described in our letter to management as 2016-1. Town of Eureka's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in our letter to management as item 2016-1

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

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants