

Ephraim City
Sanpete County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Ephraim City
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 June 30, 2016

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Independent Auditor's Report

Honorable Mayor
Members of the City Council
Ephraim City, Utah

Mayor and Council Members:

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 Ephraim City, Utah, (the "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. 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 Ephraim City, as of June 30, 2016, and the respective changes in financial position, general fund budget schedule, 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 on pages 3–9 and the required supplementary information relating to pensions on pages 48-50 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ephraim City's basic financial statements. The combining and individual nonmajor fund financial statements (pages 52-54) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2016 on our consideration of Ephraim 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* and should be considered in assessing the results of our audit.


Larson & Company, PC

Spanish Fork, Utah
December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Ephraim City, we offer readers of the Ephraim City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. It is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues, including identifying changes in the City's financial position (its ability to address the next and subsequent years' challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The total net position of Ephraim City increased by \$1,230,321 to \$31,837,943. The governmental net position increased by \$171,749 and the business-type net position increased by \$1,058,572.
- The total net position of \$31,837,943 are made up of \$22,588,231 in capital assets net of related debt and \$9,249,712 in other net positions.
- The General Fund (the primary operating fund) had a decrease in its fund balance of \$410,267.

REPORTING THE CITY AS A WHOLE

The discussion and analysis is intended to serve as an introduction to Ephraim City's basic financial statements. Ephraim 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 Ephraim City's finances, in a manner similar to the financial statements of a private-sector business.

- The statement of net position presents information on all of Ephraim City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Ephraim City is improving or deteriorating. However, other non-financial factors need to be considered.

- The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus 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 Ephraim 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).

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. Ephraim 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 Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

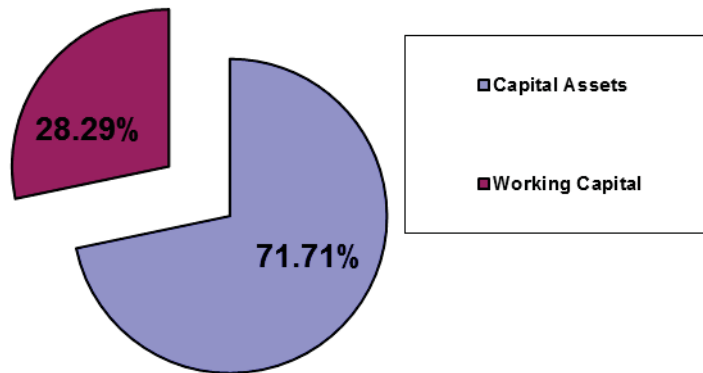
The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund (Building Authority). The other governmental funds are determined to be non-major and are included in the combining statements within this report.

- Proprietary funds - Ephraim 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. Ephraim City uses enterprise funds to account for its Electric Utility, Water Utility and Sewer Utility, Solid Waste Utility, Fire District, Housing Authority, Ambulance Association, and Rodeo Grounds Complex. As determined by generally-accepted accounting principles all Ephraim City's enterprise funds that meet the criteria for major fund classification are as follows: Water Utility, Sewer Utility, and the Electric Utility.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Ephraim City, assets exceed liabilities by \$31,837,943. By far the largest portion of Ephraim City's net position, of \$31,837,943, reflects its investment in capital assets (e.g., land, buildings, 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.

Total Asset Comparison



The following two tables are summaries of the net position and changes in net position of Ephraim City:

Net Position:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,115,746	\$ 3,311,408	\$ 8,716,897	\$ 8,090,007	\$ 11,832,643	\$ 11,401,415
Capital assets	13,646,127	13,876,033	14,518,287	14,405,994	28,164,414	28,282,027
Deferred outflows of resources	221,444	66,888	153,378	50,936	374,821	117,824
Total assets and deferred outflows of resources	16,983,317	17,254,329	23,388,562	22,546,937	40,371,878	39,801,266
Other liabilities	486,176	743,074	511,286	454,472	997,462	1,197,546
Long-term liabilities outstanding	2,776,373	2,968,561	4,667,360	4,945,396	7,443,733	7,913,957
Deferred inflows of resources	52,956	46,631	39,786	35,510	92,741	82,141
Total liabilities and inflows of resources	3,315,505	3,758,266	5,218,431	5,435,378	8,533,936	9,193,644
Net position:						
Invested in capital assets, net of related debt	11,281,420	11,511,327	11,306,810	10,253,617	22,588,231	21,764,944
Restricted	678,453	511,828	1,276,231	566,401	1,954,684	1,078,229
Unrestricted	1,707,938	1,472,908	5,587,089	6,291,541	7,295,028	7,764,449
Total net position	\$ 13,667,812	\$ 13,496,063	\$ 18,170,131	\$ 17,111,559	\$ 31,837,943	\$ 30,607,622

Changes in Net Position:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 432,563	\$ 304,071	\$ 5,626,474	\$ 5,319,949	\$ 6,059,037	\$ 5,624,020
Operating grants and contribs	305,066	280,436	-	-	305,066	280,436
Capital grants and contribs	203,333	3,165,751	194,879	171,518	398,212	3,337,269
General revenues:						
Property taxes	399,205	410,994	-	-	399,205	410,994
Other taxes	1,669,377	1,605,800	-	-	1,669,377	1,605,800
Unrestricted investment earnings	53,569	32,675	9,888	7,385	63,456	40,060
Miscellaneous	871,841	916,474	252,564	59,011	1,124,405	975,485
Total revenues	3,934,954	6,716,201	6,083,804	5,557,863	10,018,758	12,274,064
Expenses:						
General government	1,283,001	1,268,268	-	-	1,283,001	1,268,268
Public safety	822,653	733,623	-	-	822,653	733,623
Highways and pub. improvmts	787,660	871,497	-	-	787,660	871,497
Cemetery	66,479	65,115	-	-	66,479	65,115
Parks and recreation	514,014	364,334	-	-	514,014	364,334
Community & Economic Development	204,503	59,769	-	-	204,503	59,769
Operating Expenses (Business Type)	-	-	4,932,365	4,891,802	4,932,365	4,891,802
Interest Expense	84,896	92,378	92,867	85,993	177,763	178,371
Total expenses	3,763,206	3,454,984	5,025,232	4,977,795	8,788,438	8,432,779
Increase in net position before transfers	171,748	3,261,217	1,058,572	580,068	1,230,321	3,841,285
Increase in net position	171,748	3,261,217	1,058,572	580,068	1,230,321	3,841,285
Net position - beginning	13,496,064	10,555,292	17,111,558	16,775,509	30,607,622	27,330,800
Prior adjustment related to GASB 68	-	(320,445)	-	(244,018)	-	(564,463)
Net position - ending	\$ 13,667,812	\$ 13,496,064	\$ 18,170,131	\$ 17,111,558	\$ 31,837,943	\$ 30,607,622

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

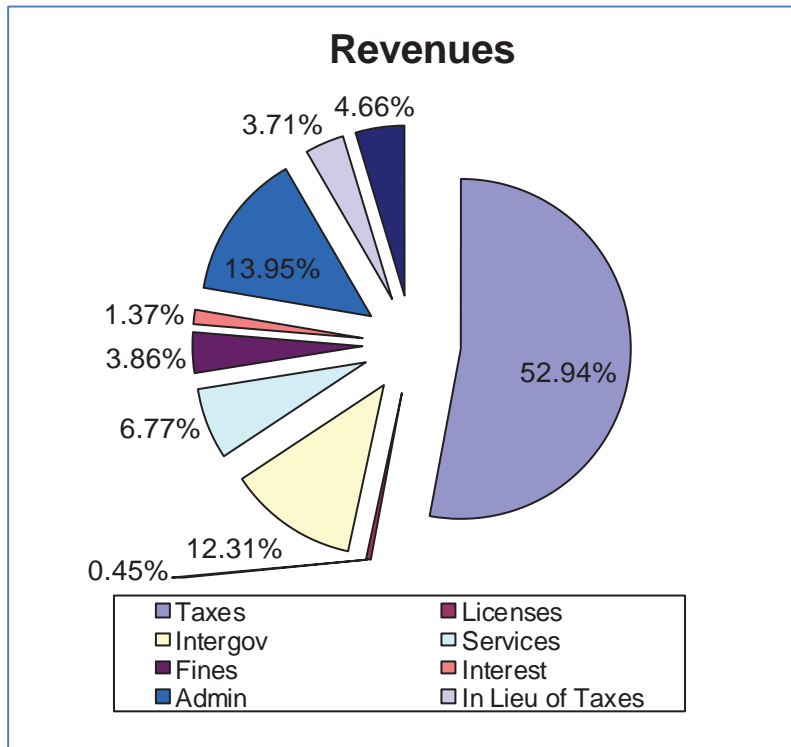
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2016 the City's governmental funds (General, Capital Projects, Special Revenue and Permanent Fund) reported combined fund equity of \$2,744,412. This represents a increase of \$78,185 from last year's ending balances, which reflects normal operations during the year within the General Fund.

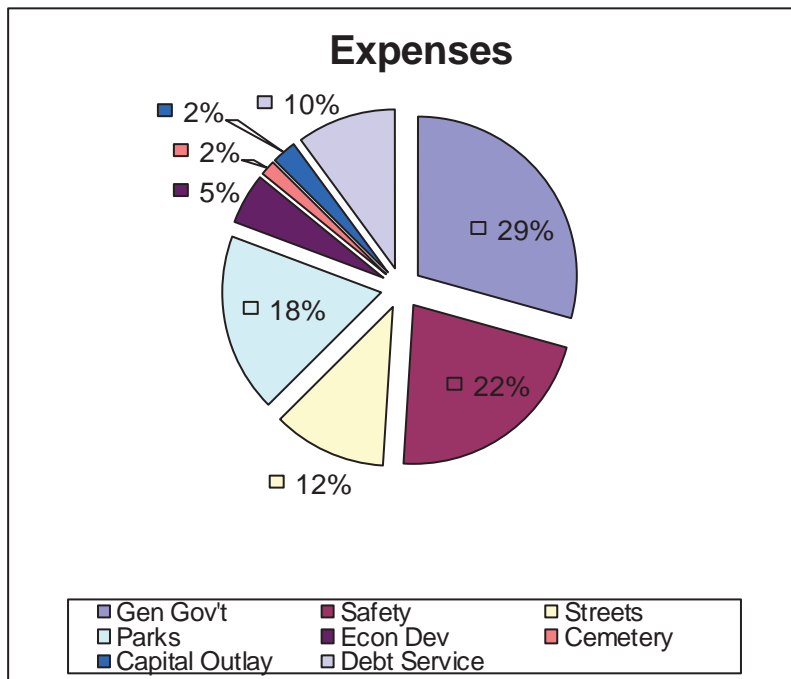
The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds, either by state or local ordinance or by a desire to maintain a matching of revenues and expenses, are accounted for in this fund.

Taxes continue to be a large source of revenue in the Governmental Funds and represent 52.94% of total government fund revenues. The largest element of taxes is sales tax, as it has been for the last several years. It represents 64.45% of total tax revenues and represents 34.12% of total governmental fund revenues.

Governmental Revenues



Governmental Expenses



As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$3,405,521 to a final budget of \$3,801,666.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Ephraim City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$28,164,413 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment.

Major capital asset events during this fiscal year included the following:

Acquisitions:

Parks/Street-Equip & Impr.	\$ 52,597	Street-Equip & Improvements	\$ 29,487
Public Safety Equipment	75,472	Main Street Improvements	60,355
Cemetery-Equip. & Improv.	10,262	Airport-Improvements	242,833
Water Dept-Equip & Improv.	161,246	Sewer Dept-Equip & Improvements	113,461
Power Dept-Equip & Improv.	242,978	Housing Authority Improvements	50,447

Dispositions/Transfers:

Amphitheater costs were transferred from Parks & Rec. Capital Projects Fund to the City's General Fund	\$ 197,228
Main Street improvement costs were transferred from Main Street Improve. Capital Projects Fund to the City's General Fund	129,434

Long-term debt - At June 30, 2016 the City had total debt outstanding of \$6,728,101. Of this amount, \$556,371 is due within 12 months of the fiscal year.

Additional information on the outstanding debt obligations of the City can be found in the notes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

As of October 2016, the unemployment rate for Sanpete County is 3.90% compared with a state unemployment rate of 3.20% and a national rate of 4.90%. (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2016 reflects a decrease of 43.0% from the final budget for the fiscal year ended June 30, 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Ephraim City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: City Recorder, Ephraim City, 5 South Main, Ephraim, Utah 84627.

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Basic Financial Statements

EPHRAIM CITY
Statement of Net Position
As of June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,868,698	\$ 6,011,058	\$ 7,879,756
Receivables (net of allowance for doubtful accounts):			
Trade accounts	360,727	471,852	832,579
Other	2,958	32,195	35,153
Inventory	7,821	1,269,441	1,277,262
Restricted Assets:			
Cash and cash equivalents	875,275	932,075	1,807,350
Capital assets not being depreciated:			
Land	236,139	435,175	671,314
Water rights	-	1,781,575	1,781,575
Work in process	14,605	340,504	355,109
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	4,007,341	-	4,007,341
Improvements other than buildings	2,346,624	11,554,305	13,900,929
Equipment	674,237	406,727	1,080,964
Infrastructure	6,367,181	-	6,367,181
Net pension asset	267	276	543
Deferred outflows of resources related to pension	221,444	153,378	374,821
Total assets and deferred outflows of resources	16,983,317	23,388,562	40,371,878
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	80,423	449,348	529,770
Accrued liabilities	91,396	-	91,396
Retainage payable	199,248	-	199,248
Compensated absences	115,109	61,938	177,047
Noncurrent Liabilities:			
Net pension liability	411,666	303,966	715,632
Debt due within one year	312,371	248,000	560,371
Debt due in more than one year	2,052,336	4,115,393	6,167,730
Total Liabilities	3,262,549	5,178,645	8,441,194
Deferred inflows of resources related to pension	52,956	39,786	92,741
Total liabilities and deferred inflows of resources	3,315,505	5,218,431	8,533,936
NET POSITION			
Net investment in capital assets	11,281,420	10,872,112	22,153,532
Restricted for:			
Special Improvement agency	19,169	-	19,169
Perpetual care	146,690	-	146,690
Debt Service	330,323	-	330,323
Bond requirements	-	717,219	717,219
Impact fees	143,271	214,857	358,128
Inventory	-	344,156	344,156
Class C Roads	39,000	-	39,000
Unrestricted	1,707,938	6,021,788	7,729,726
Total net position	\$ 13,667,812	\$ 18,170,131	\$ 31,837,943

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY
Statement of Activities

For the year ended June 30, 2016

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 1,283,001	\$ 60,606	\$ 32,802	\$ -	\$ (1,189,593)	\$ -	\$ (1,189,593)
Public safety	822,653	276,545	47,299	5,040	(493,768)	-	(493,768)
Highways and public improvements	787,660	-	212,965	14,400	(560,295)	-	(560,295)
Cemetery	66,479	-	-	-	(66,479)	-	(66,479)
Parks, recreation, and public property	514,014	95,186	12,000	183,893	(222,935)	-	(222,935)
Community and economic development	204,503	226	-	-	(204,276)	-	(204,276)
Interest	84,896	-	-	-	(84,896)	-	(84,896)
Total Governmental Activities	\$ 3,763,206	\$ 432,563	\$ 305,066	\$ 203,333	(2,822,243)	-	(2,822,243)
Business-type Activities:							
Water	\$ 757,329	\$ 918,061	\$ -	\$ 92,896	-	253,627	253,627
Sewer	611,727	650,334	-	49,312	-	87,919	87,919
Electric	3,038,169	3,444,353	-	52,671	-	458,855	458,855
Housing authority	369,188	348,000	-	-	-	(21,188)	(21,188)
Solid waste	174,220	178,776	-	-	-	4,555	4,555
Fire district	69,717	86,951	-	-	-	17,234	17,234
Rodeo grounds	4,882	-	-	-	-	(4,882)	(4,882)
Total Business-type Activities	5,025,232	5,626,474	-	194,879	-	796,121	796,121
Total Primary Government	\$ 8,788,438	\$ 6,059,037	\$ 305,066	\$ 398,212	(2,822,243)	796,121	(2,026,122)
General Revenues:							
Property taxes					399,205	-	399,205
Sales taxes					1,333,171	-	1,333,171
Franchise taxes					336,205	-	336,205
Unrestricted investment earnings					53,569	9,888	63,456
Administrative costs					544,978	-	544,978
Fee in lieu of taxes					144,931	-	144,931
Miscellaneous					181,932	252,564	434,496
Total General Revenues and Transfers					2,993,992	262,451	3,256,443
Change in Net Assets					171,748	1,058,572	1,230,321
Net Position - Beginning					13,496,064	17,111,558	30,607,622
Net Position - Ending					\$ 13,667,812	\$ 18,170,131	\$ 31,837,943

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Balance Sheet – Governmental Funds

As of June 30, June 30, 2016

	General Fund	Capital Projects	Special Improvement Agency Non-major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 499,176	\$ 1,369,523	\$ -	\$ 1,868,698
Accounts Receivable:				
Trade accounts (net of allowance)	360,727	-	-	360,727
Other	-	531	2,427	2,958
Due from other funds	-	-	-	-
Inventory	7,821	-	-	7,821
Restricted assets:				
Cash and cash equivalents	530,563	325,543	19,169	875,275
Total Assets	<u>\$ 1,398,286</u>	<u>\$ 1,695,597</u>	<u>\$ 21,596</u>	<u>\$ 3,115,479</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable	\$ 80,401	\$ 21	\$ -	\$ 80,423
Accrued liabilities	48,174	43,222	-	91,396
Retainage payable	196,821	-	2,427	199,248
Due to other funds	-	-	-	-
Total Liabilities	<u>325,396</u>	<u>43,243</u>	<u>2,427</u>	<u>371,067</u>
Deferred inflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>325,396</u>	<u>43,243</u>	<u>2,427</u>	<u>371,067</u>
FUND BALANCES				
Restricted for:				
Special Improvement agency	-	-	19,169	19,169
Perpetual care	-	146,690	-	146,690
Impact fees	143,271	-	-	143,271
Class C Roads	39,000	-	-	39,000
Debt Service	151,470	178,853	-	330,323
Assigned for:				
Community activities	18,517	-	-	18,517
Public equip/improve	40,669	-	-	40,669
Capital projects	-	1,326,810	-	1,326,810
Airport	149,708	-	-	149,708
Unassigned	530,255	-	-	530,255
Total Fund Balances	<u>1,072,890</u>	<u>1,652,353</u>	<u>19,169</u>	<u>2,744,412</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 1,398,286</u>	<u>\$ 1,695,597</u>	<u>\$ 21,596</u>	<u>\$ 3,115,479</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

As of June 30, 2016

Total fund balances - governmental fund types:	\$ 2,744,412
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,646,127
Net pension asset is not an available resource and, therefore, is not reported in the funds.	267
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,891,482)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	
Deferred outflows	221,444
Deferred inflows	(52,956)
Net position of government activities:	<u>\$ 13,667,812</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Capital Projects	Special Improvement Agency Non-major	Total Governmental Funds
REVENUES				
Taxes	\$ 2,068,582	\$ -	\$ -	\$ 2,068,582
Licenses and permits	17,405	-	-	17,405
Intergovernmental revenues	434,653	46,206	-	480,859
Charges for services	264,221	-	226	264,448
Fines and forfeitures	150,711	-	-	150,711
Interest income	50,985	2,583	-	53,569
Administration	544,978	-	-	544,978
In lieu of taxes	144,931	-	-	144,931
Miscellaneous	170,362	11,570	-	181,932
Total Revenues	<u>3,846,828</u>	<u>60,360</u>	<u>226</u>	<u>3,907,414</u>
EXPENDITURES				
Current:				
General government	1,123,771	7,186	-	1,130,957
Public safety	835,976	-	-	835,976
Highways and public improvements	445,097	-	-	445,097
Parks, recreation, and public property	700,770	-	-	700,770
Community and economic development	199,092	-	-	199,092
Cemetery	59,882	-	-	59,882
Capital outlay	-	96,390	-	96,390
Debt Service:				
Principal	148,301	155,409	-	303,710
Interest	6,050	78,846	-	84,896
Total Expenditures	<u>3,518,939</u>	<u>337,830</u>	<u>-</u>	<u>3,856,769</u>
Excess Revenues Over (Under)				
Expenditures	<u>327,889</u>	<u>(277,470)</u>	<u>226</u>	<u>50,645</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	39,741	843,437	-	883,178
Transfers out	(805,437)	(77,741)	-	(883,178)
Impact fees	27,540	-	-	27,540
Total Other Financing Sources and Uses	<u>(738,156)</u>	<u>765,696</u>	<u>-</u>	<u>27,540</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(410,267)</u>	<u>488,226</u>	<u>226</u>	<u>78,185</u>
Fund Balances - Beginning	1,483,157	1,164,128	18,942	2,666,227
Fund Balances - Ending	<u>\$ 1,072,890</u>	<u>\$ 1,652,353</u>	<u>\$ 19,169</u>	<u>\$ 2,744,412</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2016

Net changes in fund balances - total governmental funds (page 15):	\$ 78,185
Amounts reported for governmental activities in the statement of activities are different because:	
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(229,906)
Debt service principal payments are reported separately in the governmental fund statement of revenues, expenditures, and changes in fund balances. These expenditures must be removed and replaced by a corresponding reduction in the related liability reported in the government-wide statement of net assets.	303,710
Expenditures are recognized in the governmental funds when paid with available financial resources. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:	
Compensated Absences	(16,092)
The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	35,852
Change in net position of governmental activities:	<u>\$ 171,748</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual – General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 1,987,365	\$ 2,045,365	\$ 2,068,582	\$ 23,217
Licenses and permits	16,500	16,500	17,405	905
Intergovernmental revenues	286,000	431,218	434,653	3,435
Charges for services	254,834	258,434	264,221	5,787
Fines and forfeitures	130,000	144,000	150,711	6,711
Interest income	3,200	43,200	50,985	7,785
Administrative	552,478	544,978	544,978	-
In lieu of taxes	144,931	144,931	144,931	-
Miscellaneous	174,076	166,576	170,362	3,786
Total Revenues	<u>3,549,384</u>	<u>3,795,202</u>	<u>3,846,828</u>	<u>51,626</u>
EXPENDITURES				
Current:				
General government	1,143,257	1,180,452	1,123,771	(56,681)
Public safety	844,009	879,509	851,898	(27,611)
Highways and public improvements	692,933	689,933	583,526	(106,407)
Cemetery	64,998	74,498	59,882	(14,616)
Airport	46,400	295,750	264,647	(31,103)
Parks, recreation, and public property	404,824	474,324	436,123	(38,201)
Community and economic development	209,100	207,200	199,092	(8,108)
Total Expenditures	<u>3,405,521</u>	<u>3,801,666</u>	<u>3,518,939</u>	<u>(282,727)</u>
Excess Revenues Over (Under)				
Expenditures	<u>143,863</u>	<u>(6,464)</u>	<u>327,889</u>	<u>334,353</u>
Other financing sources (uses)				
Transfers in	39,741	39,741	39,741	-
Transfers out	(262,437)	(825,437)	(805,437)	20,000
Impact fees	12,130	20,630	27,540	6,910
Total Other Financing Sources and Uses	<u>(210,566)</u>	<u>(765,066)</u>	<u>(738,156)</u>	<u>26,910</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(66,703)</u>	<u>(771,530)</u>	<u>(410,267)</u>	<u>361,263</u>
Fund Balances - Beginning	1,483,157	1,483,157	1,483,157	-
Fund Balances - Ending	<u>\$ 1,416,454</u>	<u>\$ 711,627</u>	<u>\$ 1,072,890</u>	<u>\$ 361,263</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY
Statement of Net Position – Proprietary Funds
As of June 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Other Proprietary (Non-Major)	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,410,695	\$ 216,374	\$ 3,736,951	\$ 647,038	\$ 6,011,058
Accounts Receivable:					
Utilities receivable	105,605	63,133	279,415	27,329	475,482
Allowance for doubtful accounts	(933)	(137)	(2,368)	(193)	(3,630)
Other receivables	315	1,200	13,111	17,569	32,195
Inventory - at cost	105,559	12,959	225,638	925,285	1,269,441
Restricted Assets:					
Restricted cash and cash equivalents	285,061	647,014	-	-	932,075
Total Current Assets	<u>1,906,302</u>	<u>940,543</u>	<u>4,252,747</u>	<u>1,617,028</u>	<u>8,716,621</u>
Noncurrent Assets					
Land	58,665	376,510	-	-	435,175
Construction-in-progress	183,739	16,385	101,568	38,812	340,504
Improvements other than buildings	5,425,779	5,660,186	8,001,984	166,192	19,254,141
Less: accumulated depreciation	(2,621,469)	(1,256,191)	(3,774,432)	(47,743)	(7,699,836)
Machinery and equipment	648,920	407,770	1,291,342	103,322	2,451,353
Less: accumulated depreciation	(550,971)	(320,114)	(1,092,183)	(81,358)	(2,044,626)
Water rights	1,781,575	-	-	-	1,781,575
Net pension asset	65	60	152	-	276
Total Noncurrent Assets	<u>4,926,301</u>	<u>4,884,607</u>	<u>4,528,429</u>	<u>179,225</u>	<u>14,518,563</u>
Deferred outflow of resources	35,511	33,047	84,819	-	153,378
Total Assets and Deferred Outflow of Resources	<u>6,868,115</u>	<u>5,858,197</u>	<u>8,865,995</u>	<u>1,796,254</u>	<u>23,388,562</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	34,893	54,289	224,806	135,360	449,348
Compensated absences	18,767	13,289	29,882	-	61,938
Current portion of bonds payable	117,000	131,000	-	-	248,000
Total Current Liabilities	<u>170,659</u>	<u>198,578</u>	<u>254,689</u>	<u>135,360</u>	<u>759,286</u>
Noncurrent Liabilities:					
Bonds and loans payable	757,000	2,923,695	-	434,699	4,115,393
Net pension liability	70,470	65,606	167,890	-	303,966
Total Noncurrent Liabilities	<u>827,470</u>	<u>2,989,301</u>	<u>167,890</u>	<u>434,699</u>	<u>4,419,360</u>
Deferred Inflows of Resources	9,228	8,592	21,966	-	39,786
Total Liabilities and Deferred Inflow of Resources	<u>1,007,357</u>	<u>3,196,471</u>	<u>444,544</u>	<u>570,059</u>	<u>5,218,431</u>
NET POSITION					
Net investment in capital assets	4,175,870	2,423,437	4,528,278	179,225	11,306,810
Retained Earnings					
Restricted for:					
Bond requirements	123,633	593,586	-	-	717,219
Impact fees	161,428	53,429	-	-	214,857
Inventory	105,559	12,959	225,638	-	344,156
Unrestricted	1,294,269	(421,684)	3,667,536	1,046,970	5,587,089
Total Net Position	<u>\$ 5,860,758</u>	<u>\$ 2,661,726</u>	<u>\$ 8,421,451</u>	<u>\$ 1,226,195</u>	<u>\$ 18,170,131</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Statement of Revenue, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Electric	Other Proprietary	
Operating Revenues:					
Charges for sales and services	\$ 918,061	\$ 650,334	\$ 3,444,353	\$ 613,727	\$ 5,626,474
Miscellaneous	4,524	16,809	139,731	91,499	252,564
Total Operating Revenues	<u>922,585</u>	<u>667,143</u>	<u>3,584,084</u>	<u>705,226</u>	<u>5,879,038</u>
Operating Expenses:					
Salaries and wages	139,838	113,543	308,793	4,115	566,289
Employee benefits	85,808	77,883	192,717	351	356,760
Power purchases	-	-	1,472,407	-	1,472,407
Administrative costs	86,888	72,989	356,083	26,518	542,478
Materials and supplies	36,839	8,686	185,869	22,720	254,114
Repairs and maintenance	10,926	4,449	105,892	-	121,268
Depreciation	168,508	77,500	202,587	6,397	454,992
Service in lieu of taxes	48,217	35,831	60,883	-	144,931
Insurance	17,108	4,834	21,552	1,407	44,901
Professional services	2,922	15,879	4,981	337,470	361,251
Utilities and telephone	6,047	105,232	12,157	-	123,436
Travel and training	2,666	1,085	11,187	-	14,938
Landfill costs	-	-	-	59,200	59,200
Leases & rents	4,167	1,890	6,860	-	12,917
Collection costs	-	-	-	91,951	91,951
Miscellaneous	105,524	8,351	55,807	67,878	237,559
Total Operating Expenses	<u>715,457</u>	<u>528,153</u>	<u>2,997,774</u>	<u>618,007</u>	<u>4,859,391</u>
Operating Income	<u>207,128</u>	<u>138,990</u>	<u>586,310</u>	<u>87,219</u>	<u>1,019,647</u>
Nonoperating Revenues (Expenses):					
Interest revenue	1,528	2,494	4,375	1,490	9,888
Interest expense	(24,995)	(67,872)	-	-	(92,867)
Pension exp-Actuarial calc (GASB 68)	(16,878)	(15,702)	(40,395)	-	(72,974)
Benefits exp-Change in NPL/NPA (GASB 68)	22,007	20,474	52,671	-	95,153
Impact fees	70,888	28,838	-	-	99,726
Total Nonoperating Revenues (Expenses)	<u>52,551</u>	<u>(31,768)</u>	<u>16,652</u>	<u>1,490</u>	<u>38,925</u>
Other Financing Sources (Uses)					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	-	-	(105,540)	-	(105,540)
Total Other Financing Sources (Uses)	<u>3,718</u>	<u>101,822</u>	<u>(105,540)</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>263,398</u>	<u>209,044</u>	<u>497,422</u>	<u>88,709</u>	<u>1,058,572</u>
Change in Net Position	263,398	209,044	497,422	88,709	1,058,572
Total Net Position - Beginning	5,597,361	2,452,682	7,924,029	1,137,486	17,111,558
Total Net Position - Ending	<u>\$ 5,860,758</u>	<u>\$ 2,661,726</u>	<u>\$ 8,421,451</u>	<u>\$ 1,226,195</u>	<u>\$ 18,170,131</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non-major Proprietary	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 957,270	\$ 670,064	\$ 3,544,530	\$ 574,855	\$ 5,746,719
Other cash receipts	4,524	16,809	139,731	91,499	252,564
Payments to suppliers	(338,511)	(362,669)	(2,267,018)	(619,801)	(3,588,000)
Payments to employees	(225,646)	(191,427)	(501,510)	(4,467)	(923,050)
Net cash provided (used) by operating activities	<u>397,637</u>	<u>132,778</u>	<u>915,733</u>	<u>42,086</u>	<u>1,488,233</u>
Cash Flows From Non-Capital and Related Financing Activities					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	-	-	(105,540)	-	(105,540)
Net cash provided (used) by non-capital and related financing activities	<u>3,718</u>	<u>101,822</u>	<u>(105,540)</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(161,246)	(113,461)	(242,978)	(50,447)	(568,133)
Dispositions of capital assets	-	-	850	-	850
Principal paid on capital debt	(115,000)	(156,000)	-	(82,443)	(353,443)
Collection of impact fees	70,888	28,838	-	-	99,726
Interest paid on capital debt	(24,995)	(67,872)	-	-	(92,867)
Net cash provided (used) by capital and related financing activities	<u>(230,353)</u>	<u>(308,495)</u>	<u>(242,129)</u>	<u>(132,891)</u>	<u>(913,868)</u>
Cash Flows From Investing Activities					
Interest and dividends received	1,528	2,494	4,375	1,490	9,888
Net cash provided (used) by investing activities	<u>1,528</u>	<u>2,494</u>	<u>4,375</u>	<u>1,490</u>	<u>9,888</u>
Net increase (decrease) in cash and cash equivalents	172,530	(71,401)	572,439	(89,314)	584,253
Cash and cash equivalents, July 1	1,523,226	934,789	3,164,512	736,352	6,358,879
Cash and cash equivalents, June 30	<u>\$ 1,695,756</u>	<u>\$ 863,388</u>	<u>\$ 3,736,951</u>	<u>\$ 647,038</u>	<u>\$ 6,943,133</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 207,128	\$ 138,990	\$ 586,310	\$ 87,219	\$ 1,019,647
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	168,508	77,500	202,587	6,397	454,992
(Increase) decrease in accounts receivable	(18,556)	(1,491)	(5,861)	(1,436)	(27,343)
(Increase) decrease in due from/to other funds	57,765	21,221	106,038	(37,436)	147,588
(Increase) decrease in inventories	(9,954)	(6,271)	(4,611)	(142,628)	(163,464)
Increase (decrease) in accrued liabilities	(7,255)	(97,171)	31,270	129,970	56,814
Total adjustments	<u>190,508</u>	<u>(6,213)</u>	<u>329,423</u>	<u>(45,132)</u>	<u>468,586</u>
Net cash provided (used) by operating activities	<u>\$ 397,637</u>	<u>\$ 132,778</u>	<u>\$ 915,733</u>	<u>\$ 42,086</u>	<u>\$ 1,488,233</u>

The notes to the financial statements are an integral part of this statement.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

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EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

Ephraim City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. The financial statements of Ephraim City may include those of separately administered organizations that are controlled by or are dependent on the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of Ephraim City, Utah, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

The City's financial reporting entity comprises the following:

Primary Government:	City of Ephraim
Component Units:	None

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources assigned for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

The City Council approved the conversion of the Perpetual Care Fund to a Cemetery Capital Project Fund effective during the fiscal year ending June 30, 2012.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the water, sewer, electric, housing authority, solid waste, fire district, rodeo grounds, and ambulance funds.

Major and Non-major Funds

The funds are further classified as major or non-major as follows:

<i>Fund</i>	<i>Brief Description</i>
Major:	
General	See above for description.
Capital Projects Fund	See above for description.

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

Enterprise Funds:

Water, Sewer, and Electric
Funds

Accounts for revenues and expenditures of
water, sewer and electric utilities.

Nonmajor:

Special Revenue Funds:

Special Revenue Funds are used to account for
the proceeds of specific revenue sources that
are legally restricted to expenditures for certain
purposes.

Enterprise Funds:

Solid Waste Fund, Fire District,
Industrial Park, Rodeo Grounds,
Housing Authority, and the
Ambulance Fund.

Accounts for revenues and expenditures of
each respective fund.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less

Investments are reported at fair value, Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include;

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

property taxes, sales taxes, water, sewer and garbage utilities, resort community taxes, and class “C” road funds. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	30-45 years	30-45 years
Machinery and Equipment	10-15 years	10-15 years
Vehicles	5-10 years	5-10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of the bond resolutions. These include the bond, and emergency repairs accounts in the enterprise funds. Customer deposits are also restricted in the enterprise funds. Class "C" Road revenue not spent is restricted in the general fund to be used for future roadwork.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes include 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(s) and so it will not be recognized as an inflow of resources (revenue) until then.

Equity Classifications

Government-wide Statements

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

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as Non-spendable, Restricted, Committed, Assigned or Unassigned. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

- a) Non-spendable Fund Balance – Fund balances that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- b) Restricted Fund Balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c) Committed Fund Balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless City Council likewise formally changes the use.
- d) Assigned Fund Balance – Fund balances include amounts that are constrained by the government’s intent to be used for specific purpose, but neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the General Fund that are not classified as non-spendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.
- e) Unassigned Fund Balance – Fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Use of Net Position

The City’s policy regarding use of restricted or unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available is to first use restricted net position and then unrestricted net position.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Sanpete County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Sanpete County Treasurer and remitted to the City shortly after collection.

Sales taxes are collected by the Utah State Tax Commission and are remitted to the City monthly.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

 Current (further classified by function)

 Debt Service

 Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources.

Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

1.F. 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds.

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Statutes authorize the City to invest in negotiable or non-negotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined by the Act; and the Utah Public Treasurers' Investment Fund (UPTIF).

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

The UPTIF is an external deposit and investment pool wherein governmental entities are able to pool the moneys from several entities to improve investment efficiency and yield. These moneys are invested primarily in money market securities and contain no withdrawal restrictions. As such, the moneys invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

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. All investments are with the PTIF, which uses a Level 2 fair value measurement.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Water, Sewer and Housing Authority	Debt Service and Utility Operations
B & C Road Funds	Eligible B & C Roads
Federal and State Grants	Specific to Grant

For the year ended June 30, 2016, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2016, the City had \$1,145,771 of outstanding general obligation debt. This is significantly less than the four percent maximum limit as set by the State of Utah.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2016, the City had \$3,928,695 of such indebtedness.

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

Notes and Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2016.

Requirement	Level of Compliance
-------------	---------------------

a. Bonds Payable Coverage:

The scheduled payments of the water bond issued in May of 2013 are to be obtained from the operating revenues of the Water Fund. There are no other restrictions or reserve requirements specified for this debt.

b. Reserve Account Requirement:

Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 25% of the total estimated revenue of the general fund. (10-6-116(2)) The City was within the limitations allowed by law.

2.F. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2016, the City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2016</u>
Depository Accounts	Insured	\$ 333,247
	Uninsured and uncollateralized	572,140
Total Depository Accounts		<u>\$ 905,387</u>

Investments

As of June 30, 2016 the government had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturity in Years</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Investments in Public					
Treasurers' Investment Fund	\$ 8,917,973	\$ 8,917,973	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 8,917,973</u>	<u>\$ 8,917,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

The deposits and investments described above are included on the Statement of Net Position as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Position:

Investments	\$ 8,917,973
Deposits	769,133
Total	<u>\$ 9,687,106</u>

Per Statement of Net Position:

Unrestricted Cash	\$ 7,879,756
Restricted Cash	1,807,350
Total	<u>\$ 9,687,106</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2016, are as follows:

Type of Restricted Asset:	Cash/ Time Deposits	Investments	Accrued Interest	Total
<i>Business-Type Activities:</i>				
Bond Requirements	\$ 717,219	\$ -	\$ -	\$ 717,219
Impact Fees	214,857	-	-	214,857
Total	<u>932,075</u>	<u>-</u>	<u>-</u>	<u>932,075</u>
<i>Governmental Activities:</i>				
Retainage Payable	199,248	-	-	199,248
Impact Fees	143,271	-	-	143,271
Debt Service	330,323	-	-	330,323
Class C Road	39,000	-	-	39,000
Cemetary Projects	146,690	-	-	146,690
Special Improvement Agency	19,169	-	-	19,169
Total	<u>877,702</u>	<u>-</u>	<u>-</u>	<u>877,702</u>
Grand Totals	<u>\$ 1,809,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,809,777</u>

3.C. ACCOUNTS RECEIVABLE

Accounts receivable for the business-type activities consist of electric utilities, sewer utilities, water utilities, other utilities, and other receivables. Accounts receivable of the governmental activities consist of sales and franchise taxes, class C road funds, misc. taxes, grants receivable and other receivables. r

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 360,727	\$ 475,482	\$ 836,209
Special Assessments	2,427	-	2,427
Housing Authority	-	17,569	17,569
Other	531	14,626	15,157
Allowance for Doubtful Accounts	-	(3,630)	(3,630)
Net Accounts Receivable	<u>\$ 363,685</u>	<u>\$ 504,047</u>	<u>\$ 867,732</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

3.D. CAPITAL ASSETS

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

	Balance at July 1, 2015	Additions	Disposals/Transfers	Balance at June 30, 2016
Governmental Activities:				
Land	\$ 216,039	\$ -	\$ -	\$ 216,039
Impact Fees - Street Facilities	20,100	-	-	20,100
Buildings	5,948,508	-	-	5,948,508
Improvements	2,783,928	353,527	-	3,137,455
Machinery and equipment	1,715,281	117,934	-	1,833,215
Infrastructure	10,287,878	3,135,056	-	13,422,934
Work in Progress	3,150,116	14,605	(3,150,116)	14,605
Totals at historical cost	<u>24,121,850</u>	<u>3,621,122</u>	<u>(3,150,116)</u>	<u>24,592,856</u>
Less Accum. Depreciation				
Buildings	(1,799,694)	(141,473)	-	(1,941,166)
Improvements	(699,795)	(91,037)	-	(790,831)
Machinery and equipment	(1,034,068)	(124,910)	-	(1,158,978)
Infrastructure	(6,712,261)	(343,493)	-	(7,055,754)
Total Accum. Depreciation	<u>(10,245,817)</u>	<u>(700,912)</u>	<u>-</u>	<u>(10,946,729)</u>
Governmental Activities capital assets, net	<u>\$ 13,876,032</u>	<u>\$ 2,920,210</u>	<u>\$ -</u>	<u>\$ 13,646,127</u>
Business-type activities:				
Land	\$ 199,356	\$ -	\$ -	\$ 199,356
Buildings and Improvements	15,820,322	2,913,713	-	18,734,035
Machinery and equipment	2,368,756	114,631	(8,520)	2,474,867
Water Rights	1,781,575	-	-	1,781,575
Impact fee assets	732,411	-	-	732,411
Work in Progress	2,800,716	299,307	(2,759,519)	340,505
Totals at historical cost	<u>23,703,136</u>	<u>3,327,652</u>	<u>(2,768,039)</u>	<u>24,262,749</u>
Less Accum. Depreciation				
Buildings and Improvements	(7,308,590)	(391,245)	\$ -	(7,699,835)
Machinery and equipment	(1,988,550)	(63,746)	7,670	(2,044,626)
Total Accum. Depreciaton	<u>(9,297,140)</u>	<u>(454,991)</u>	<u>7,670</u>	<u>(9,744,461)</u>
Business-type activities capital assets, net	<u>\$ 14,405,996</u>	<u>\$ 2,872,660</u>	<u>\$ (2,760,369)</u>	<u>\$ 14,518,287</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 171,804
Public safety	62,149
Highways and public improvements	372,050
Parks, recreation and public property	72,640
Community and Economic Development	5,410
Cemetery	16,859
Total depreciation expense	<u>\$ 700,912</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

3.E. ACCOUNTS PAYABLE

Payables in the general fund are composed of general operating expenses.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2016, the City had \$2,479,816 in governmental long-term-debt:

Bonds Payable

Street Bonds Payable, Series 1996	
Original Principal \$2,000,000 @ 3% - 5%	\$ 135,771
Library Bonds, Series 2007	
Original Principal \$1,120,000 @ 2.5%	700,000
Public Safety Bonds, Series 2000	
Original Principal \$670,000 @ 2.5%	226,000
City Office Notes, Series 2001	
Original Principal \$1,925,000 @ 3.85%	1,203,237
Building Authority, Series 2005	
Original Principal \$141,000 @ 0%	84,000
Police Vehicles Lease Purchase	
Original Principal \$69,477 @ 2.6%	15,699
	<u>2,364,707</u>
<i>Compensated Absences</i>	<u>115,109</u>
Total Governmental Long-Term Debt	<u><u>\$ 2,479,816</u></u>

Business-type Activities:

As of June 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable & Revenue Bonds:

2013 Water Revenue Bonds	
Original Principal \$1,217,000 @ 1.15%	\$874,000
2014 Utah Waste Water Expansion Bonds	
Original Principal \$2,583,000 @ 2.00%	2,553,000
1993 Sewer Bonds - Series C	
Original Principal \$1,307,000 @ 5.45%	501,695
2014 Housing Authority-Olene Walker Loan	
Original Principle \$517,142	434,699
	<u>4,363,393</u>
Total notes & revenue bonds	<u>61,938</u>
<i>Compensated Absences</i>	<u><u>\$ 4,425,331</u></u>
Total Long-term debt	

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Type of Debt	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities:				
Compensated Absences	\$ 99,017	\$ 16,092	\$ -	\$ 115,109
Bonds Payable	2,668,417	-	(303,710)	2,364,707
Total Governmental Debt	\$ 2,767,434	\$ 16,092	\$ (303,710)	\$ 2,479,816
Business-type Activities:				
Compensated Absences	57,087	4,851	-	61,938
Revenue Bonds/Notes Pay.	4,716,837	-	(353,443)	4,363,393
Total Business-type Debt	\$ 4,773,924	\$ 4,851	\$ (353,443)	\$ 4,425,331

The revenue bonds are payable only from the net revenues of the water, and sewer systems, as defined in the bond ordinances. The ordinances further provide that the City establish certain accounts and reserves for bond payment and that all revenues of the system are to be used for operation and maintenance costs of the systems, principal and interest on the bonds, and establishment of the defined debt repayment reserves and capital facilities replacement account.

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016, are as follows:

Year Ending June 30	Notes and Bonds Payable			
	Business-Type		Governmental	
	Principal	Interest	Principal	Interest
2017	248,000	93,861	312,371	81,345
2018	254,000	87,015	165,464	72,113
2019	261,000	79,728	170,101	67,231
2020	219,695	71,772	175,815	62,177
2021-2025	1,486,699	344,255	746,788	231,902
2026-2030	900,000	157,120	476,666	121,244
2031-2034	994,000	63,400	317,502	35,306
Total	\$ 4,363,393	\$ 897,150	\$ 2,364,707	\$ 671,318

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

3.G. INTER-FUND TRANSACTIONS AND BALANCES

Operating Transfers

The City had the following inter-fund transactions for the year ended June 30, 2016.

	Transfer to	Transfer from
Transfer to Airport	\$ 12,000	\$ -
Transfer to/from Equip/Bldg Cap Proj Fund	500,000	27,741
Transfer to Building Authority	247,437	-
Transfer to Parks & Rec Cap Proj Fund-Impact	3,000	-
Transfer to Main Street Cap Proj Fund	43,000	-
Transfer to/from General Fund	27,741	805,437
	<u>\$ 833,178</u>	<u>\$ 833,178</u>

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 11,281,420	\$ 10,872,112	\$ 22,153,532
Restricted for:			
Special Improvement agency	19,169	-	19,169
Debt Service	330,323	-	330,323
Bond Requirements	-	717,219	717,219
Impact fees	143,271	214,857	358,128
Inventory	-	344,156	344,156
Class C Roads	39,000	-	39,000
Unrestricted (Deficit)	<u>1,854,628</u>	<u>6,021,788</u>	<u>7,876,416</u>
Total Net Position	<u>\$ 13,667,812</u>	<u>\$ 18,170,131</u>	<u>\$ 31,837,943</u>

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

General Information about the Pension Plan

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

- **Public Employees Noncontributory Retirement System** (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- **Public Safety Retirement System** (Public Safety System) is a mixed agent and cost sharing, multiple employer retirement system.
- **Tier 2 Public Employees Contributory Retirement System** (Tier 2 Public Employees System); and the **Tier 2 Public Safety and Firefighter Contributory Retirement System** (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The System'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 report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website www.urs.gov.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

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%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any 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.

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

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

<u>Utah Retirement Systems</u>	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Contributory System				
111-Local Government Division - Tier 2	N/A	N/A	16.67	1.78
Noncontributory System				
15-Local Government Division Tier - 1	N/A	N/A	18.47	N/A
Public Safety Retirement System				
Contributory				
122-Tier 2 DB Hybrid Public Safety	N/A	N/A	22.50	1.33
Noncontributory				
43- Other Division A with 2.5% COLA	N/A	N/A	34.04	N/A
Tier 2 DC Only				
211-Local Government	N/A	N/A	6.69	10.00

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

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

System	Employer Contributions	Employee Contributions
Noncontributory System	\$142,441	N/A
Public Safety System	69,643	0
Tier 2 Public Employees System	21,462	0
Tier 2 Public Safety and Firefighter	258	0
Tier 2 DC Only System	2,086	N/A
Total Contributions	\$235,889	\$0

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

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

At June 30, 2016, we reported a net pension asset of \$543 and a net pension liability of \$715,633.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0909519%	\$ -	\$ 514,650
Public Safety System	0.1122023%	-	200,983
Tier 2 Public Employees System	0.0215828%	47	-
Tier 2 Public Safety and Fire Fighter System	0.0339561%	496	-
		<u>\$ 543</u>	<u>\$ 715,633</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 was 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 June 30, 2016. We recognized pension expense of \$180,898.

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86	\$ 44,923
Changes in assumptions	-	42,440
Net difference between projected and actual earnings on pension plan investments	239,397	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,978	5,378
Contributions subsequent to the measurement date	120,310	-
Total	\$ 371,771	\$ 92,741

\$120,310 reported as deferred outflows of resources related to pension results from contributions made by us prior to our 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	\$ 32,890
2017	32,890
2018	38,767
2019	54,163
2020	(76)
Thereafter	85

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.75 percent
Salary increases	3.50-10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, 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, 2015, 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 in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	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%, 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 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2016

payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 1,087,405	\$ 514,650	\$ 36,515
Public Safety System	425,596	200,983	18,106
Tier 2 Public Employees System	8,640	(47)	(6,631)
Tier 2 Public Safety and Firefighter	843	(496)	(1,525)
	<u>\$1,522,484</u>	<u>\$715,090</u>	<u>\$46,465</u>

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

Defined Contribution Savings Plans

The defined Contribution Savings Plans are administered by the Utah Retirement System Board and are generally supplemental plans to 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 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.

Ephraim City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA 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	\$72,332	\$50,187	\$47,194
Employee Contributions	\$37,871	\$33,863	\$32,334
457 Plan			
Employer Contributions	\$9,693	\$0	\$0
Employee Contributions	\$694	\$655	\$636
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$790	\$840	\$780

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2016

4.B. RISK MANAGEMENT

The City 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. The City has purchased comprehensive general liability insurance through the Utah Local Governments' Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self sustaining through member premiums. The City is subject to a minimal deductible for claims.

4.C. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 22, 2016, which is the date that the financial statements were available to be issued.

4.D. ELECTRICAL POWER PURCHASE AGREEMENTS

Utah Associated Municipal Power Systems (UAMPS)

Ephraim City is a member of Utah Associated Municipal Power Systems (UAMPS), a separate legal entity and political subdivision of the State of Utah, which was formed pursuant to the provision of the interlocal Cooperation Act. UAMPS' membership consists of 45 public power utilities which agreed to purchase the electrical power produced by UAMPS. UAMPS was formed to plan, finance, develop, acquire, construct, improve, operate, or maintain projects for the generation, transmission, and distribution of electric energy for the benefit of its members. In order for UAMPS to issue the bonds to fund the necessary power projects, it was necessary for UAMPS to have substantially similar binding contracts with the participants to pledge the debt payments required to be made in accordance with the terms of the binding contracts.

The contract with UAMPS entitles Ephraim City to an average of 3.3347% of the output of the various power projects. Ephraim City, as a participant in the projects, is obligated, on average, for 0.9283% of the debt service issued to finance the projects. Under the terms of the agreement, the operational costs and debt service requirements are reflected in the cost of power purchased. No separate payments are made to UAMPS by Ephraim City under this agreement.

Questions or requests for additional financial information regarding this agreement should be addressed to UAMPS Controller, 155 North 400 West, Suite #480, Salt Lake City, Utah 84103.

4.E. ROUNDING CONVENTION

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1.

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**Required Supplementary Information
(Unaudited)**

EPHRAIM CITY
Schedule of the Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last 10 Fiscal Years*

	As of fiscal year ended June 30,	Noncontributory System	Public Safety System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighter Retirement
Proportion of the net pension liability (asset):	2016	0.0909519%	0.1122023%	0.0215828%	0.0339561%
	2015	0.0919104%	0.1030613%	0.0201028%	0.0927449%
Proportionate share of the net pension liability (asset):	2016	\$ 514,650	\$ 200,983	\$ (47)	\$ (496)
	2015	399,097	129,608	(609)	(1,372)
Covered Employee Payroll:	2016	\$ 749,343	\$ 239,246	\$ 139,429	\$ 20,160
	2015	764,429	211,672	98,936	38,322
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	2016	68.68%	84.01%	-0.03%	-2.46%
	2015	52.20%	61.20%	-0.60%	-3.60%
Plan fiduciary net position as a percentage of its covered-employee payroll:	2016	87.8%	87.1%	100.2%	110.7%
	2015	90.2%	90.5%	103.5%	120.5%

* 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 last two years.

EPHRAIM CITY
Schedule of Contributions
Utah Retirement Systems
 Last 10 Fiscal Years*

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
2014	\$138,636	\$138,636	\$ -	\$801,827	17.29%
2015	134,236	134,236	-	726,780	18.47%
2016	142,441	142,441	-	779,488	18.27%
Public Safety Systems					
2014	\$44,327	\$44,327	\$ -	\$137,917	32.14%
2015	48,149	48,149	-	141,449	34.04%
2016	69,643	69,643	-	204,591	34.04%
Tier 2 Public Employees System *					
2014	\$8,595	\$8,595	\$ -	\$61,434	13.99%
2015	20,253	20,253	-	135,565	14.94%
2016	21,462	21,462	-	143,947	14.91%
Tier 2 Public Safety and Firefighter System *					
2014	\$7,686	\$7,686	\$ -	\$36,865	20.85%
2015	8,804	8,804	-	39,042	22.55%
2016	258	258	-	1,146	22.50%
Tier 2 Public Employees DC Only System *					
2014	\$1,604	\$1,604	\$ -	\$28,746	5.58%
2015	1,999	1,999	-	29,747	6.72%
2016	2,086	2,086	-	31,174	6.69%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 3 years.

Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

CITY OF EPHRAIM, UTAH
Notes to Required Supplementary Information
June 30, 2016

Changes in Assumptions

The following 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 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre-retirement 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.

Supplementary Information

EPHRAIM CITY
Combining Statement of Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 165,714	\$ 125,922	\$ 349,348	\$ 6,053	\$ 647,038
Accounts Receivable:					
Utilities receivable	18,781	8,549	-	-	27,329
Allowance for doubtful accounts	(144)	(49)	-	-	(193)
Other receivables	-	-	17,569	-	17,569
Inventory - at cost	-	-	925,285	-	925,285
Total Current Assets	<u>184,351</u>	<u>134,422</u>	<u>1,292,202</u>	<u>6,053</u>	<u>1,617,028</u>
FIXED ASSETS					
Construction-in-progress	-	-	38,812	-	38,812
Improvements	-	-	11,635	154,558	166,192
Less: accumulated depreciation	-	-	-	(47,743)	(47,743)
Machinery and equipment	103,322	-	-	-	103,322
Less: accumulated depreciation	(81,358)	-	-	-	(81,358)
Total Noncurrent Assets	<u>21,964</u>	<u>-</u>	<u>50,447</u>	<u>106,814</u>	<u>179,225</u>
Total Assets	<u>206,315</u>	<u>134,422</u>	<u>1,342,649</u>	<u>112,868</u>	<u>1,796,254</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	13,698	5,140	116,522	-	135,360
Total Current Liabilities	<u>13,698</u>	<u>5,140</u>	<u>116,522</u>	<u>-</u>	<u>135,360</u>
Noncurrent Liabilities					
Bonds and loans payable	-	-	434,699	-	434,699
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>434,699</u>	<u>-</u>	<u>434,699</u>
Total Liabilities	<u>13,698</u>	<u>5,140</u>	<u>551,221</u>	<u>-</u>	<u>570,059</u>
NET POSITION					
Net investment in capital assets	21,964	-	(384,251)	106,814	(255,473)
Retained Earnings					
Unrestricted	170,653	129,282	1,175,680	6,053	1,481,668
Total Net Position	<u>\$ 192,617</u>	<u>\$ 129,282</u>	<u>\$ 791,428</u>	<u>\$ 112,868</u>	<u>\$ 1,226,195</u>

EPHRAIM CITY
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
Operating Revenues:					
Charges for sales and services	\$ 178,776	\$ 86,951	\$ 348,000	\$ -	\$ 613,727
Miscellaneous	-	-	25,499	66,000	91,499
Total Operating Revenues	<u>178,776</u>	<u>86,951</u>	<u>373,499</u>	<u>66,000</u>	<u>705,226</u>
Operating Expenses:					
Salaries and wages	-	-	4,115	-	4,115
Employee Benefits	-	-	351	-	351
Administrative costs	18,518	8,000	-	-	26,518
Materials and supplies	-	-	22,720	-	22,720
Depreciation	1,665	-	-	4,732	6,397
Insurance	886	-	521	-	1,407
Professional services	2,000	61,717	273,602	150	337,470
Landfill costs	59,200	-	-	-	59,200
Collection costs	91,951	-	-	-	91,951
Miscellaneous	-	-	67,878	-	67,878
Total Operating Expenses	<u>174,220</u>	<u>69,717</u>	<u>369,188</u>	<u>4,882</u>	<u>618,007</u>
Operating income	<u>4,555</u>	<u>17,234</u>	<u>4,311</u>	<u>61,118</u>	<u>87,219</u>
Nonoperating Revenues (Expenses):					
Interest revenue	-	-	1,490	-	1,490
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>-</u>	<u>1,490</u>
Net Income (Loss)	<u>4,555</u>	<u>17,234</u>	<u>5,801</u>	<u>61,118</u>	<u>88,709</u>
Change in Net Assets	4,555	17,234	5,801	61,118	88,709
Total Net Position - Beginning	188,062	112,048	785,627	51,749	1,137,486
Total Net Position - Ending	<u>\$ 192,617</u>	<u>\$ 129,282</u>	<u>\$ 791,428</u>	<u>\$ 112,868</u>	<u>\$ 1,226,195</u>

EPHRAIM CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
Cash Flows From Operating Activities					
Receipts from customers	\$ 183,317	\$ 91,213	\$ 360,122	\$ (59,797)	\$ 574,855
Other cash receipts	-	-	25,499	66,000	91,499
Payments to suppliers	(158,857)	(69,701)	(391,094)	(150)	(619,801)
Payments to employees	-	-	(4,467)	-	(4,467)
Net cash provided (used) by operating activities	<u>24,460</u>	<u>21,512</u>	<u>(9,939)</u>	<u>6,053</u>	<u>42,086</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	-	-	(50,447)	-	(50,447)
Principal paid on capital debt	-	-	(82,443)	-	(82,443)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(132,891)</u>	<u>-</u>	<u>(132,891)</u>
Cash Flows From Investing Activities					
Interest and dividends received	-	-	1,490	-	1,490
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>1,490</u>	<u>-</u>	<u>1,490</u>
Net increase (decrease) in cash and cash equivalents	24,460	21,512	(141,340)	6,053	(89,314)
Cash and cash equivalents, July 1	141,254	104,410	490,688	-	736,352
Cash and cash equivalents, June 30	<u>\$ 165,714</u>	<u>\$ 125,922</u>	<u>\$ 349,348</u>	<u>\$ 6,053</u>	<u>\$ 647,038</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 4,555	\$ 17,234	\$ 4,311	\$ 61,118	\$ 87,219
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,665	-	-	4,732	6,397
(Increase) decrease in accounts receivable	(1,345)	(90)	-	-	(1,436)
(Increase) decrease in due from/to other funds	5,887	4,352	12,122	(59,797)	(37,436)
(Increase) decrease in inventories	-	-	(142,628)	-	(142,628)
Increase (decrease) in accrued liabilities	13,698	17	116,255	-	129,970
Total adjustments	<u>19,905</u>	<u>4,278</u>	<u>(14,251)</u>	<u>(55,065)</u>	<u>(45,132)</u>
Net cash provided (used) by operating activities	<u>\$ 24,460</u>	<u>\$ 21,512</u>	<u>\$ (9,939)</u>	<u>\$ 6,053</u>	<u>\$ 42,086</u>

Other Reports

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

The Honorable Mayor, and
Members of the City Council
Ephraim City, Utah

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, the business-type activities, each major fund, and the aggregate remaining fund information of Ephraim City, Utah (herein referred to as the “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 and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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.

A handwritten signature in cursive script that reads "Larson & Company, PC".

Larson & Company, PC

Spanish Fork, Utah
December 22, 2016



**INDEPENDENT AUDITOR’S REPORT AS REQUIRED BY THE STATE
COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE
REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor
Members of the City Council
Ephraim City, Utah

Report on Compliance with General State Compliance Requirements

We have audited Ephraim City, Utah’s (herein referred to as the “City”) 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 the City for year ended June 30, 2016.

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

- | | |
|---------------------------------------|---|
| Budgetary Compliance | Treasurer’s Bond |
| Fund Balance | Cash Management |
| Justice Courts | Impact Fees |
| Utah Retirement Systems | Enterprise Fund Transfers, Reimbursements,
Loans, and Services |
| Restricted Taxes and Related Revenues | |
| 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 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 City occurred. An audit includes examining, on a test basis, evidence about City’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. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on General State Compliance Requirements

In our opinion Ephraim City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the for the year ended June 30, 2016. compliance requirements. However, our audit does not provide a legal determination of city’s compliance.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described our letter to management dated December 22, 2016. Our opinion on compliance is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described our letter to management. The City'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 City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered city's internal control over compliance with the compliance requirements that could have a direct and material effect on the City to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Larson & Company, PC

Spanish Fork, Utah
December 22, 2016