

Ephraim City
Sanpete County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021

Ephraim City
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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ephraim City, as of June 30, 2021, 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 and the required supplementary information relating to pensions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ephraim City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 November 20, 2021 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

Larson & Company, PC

Spanish Fork, Utah
November 20, 2021

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, 2021. 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 \$1,026,464 to \$36,780,539. The governmental net position increased by \$161,030 and the business-type net position increased by \$865,434.
- The total net position of \$36,780,539 is made up of \$26,101,839 in capital assets net of related debt and \$10,678,700 in restricted and unrestricted net position.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$352,409.

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.

- 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, Water, Sewer, and Solid Waste Utilities, Fire District, Housing Authority, 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, Sewer, and the Electric Utilities.

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 \$36,780,539. By far the largest portion of Ephraim City's net position, of \$26,101,839, 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.

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 5,143,418	\$ 4,393,170	\$ 8,710,991	\$ 8,276,376	\$ 13,854,409	\$ 12,669,546
Capital assets	13,042,878	13,541,302	21,384,453	20,742,752	34,427,331	34,284,054
Deferred outflows of resources	199,571	223,591	222,298	231,930	421,869	455,521
Total assets and deferred outflows of resources	18,385,867	18,158,063	30,317,742	29,251,058	48,703,609	47,409,121
Other liabilities	926,274	530,193	737,070	732,806	1,663,344	1,262,999
Long-term liabilities outstanding	1,428,792	2,026,824	8,069,098	7,979,857	9,497,890	10,006,681
Deferred inflows of resources	510,755	242,030	251,081	143,336	761,836	385,366
Total liabilities and inflows of resources	2,865,821	2,799,047	9,057,249	8,855,999	11,923,070	11,655,046
Net position:						
Invested in capital assets, net of related debt	11,657,878	11,963,302	14,443,961	14,291,649	26,101,839	26,254,951
Restricted	877,551	596,691	1,350,447	1,599,222	2,227,998	2,195,913
Unrestricted	2,984,617	2,799,023	5,466,085	4,504,188	8,450,702	7,303,211
Total net position	<u>\$ 15,520,046</u>	<u>\$ 15,359,016</u>	<u>\$ 21,260,493</u>	<u>\$ 20,395,059</u>	<u>\$ 36,780,539</u>	<u>\$ 35,754,075</u>

Changes in Net Position:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 465,985	\$ 404,328	\$ 6,370,453	\$ 6,421,029	\$ 6,836,438	\$ 6,825,357
Operating grants and contribs	539,909	395,478	-	-	539,909	395,478
Capital grants and contribs	498,983	24,751	585,119	171,418	1,084,102	196,169
General revenues:						
Property taxes	445,537	423,568	-	-	445,537	423,568
Other taxes	2,638,087	2,176,459	-	-	2,638,087	2,176,459
Unrestricted investment earnings	42,455	163,792	9,804	50,116	52,259	213,908
Benefits exp-Change in NPL/NPA	-	-	121,721	118,630	121,721	118,630
Miscellaneous	1,208,285	1,122,022	159,705	17,762	1,367,990	1,139,784
Total revenues	<u>5,839,241</u>	<u>4,710,398</u>	<u>7,246,802</u>	<u>6,778,955</u>	<u>13,086,043</u>	<u>11,489,353</u>
Expenses:						
General government	2,041,701	1,863,292	-	-	2,041,701	1,863,292
Public safety	1,471,945	1,563,736	-	-	1,471,945	1,563,736
Highways and pub. improvements	968,904	1,046,734	-	-	968,904	1,046,734
Cemetery	91,015	100,246	-	-	91,015	100,246
Parks and recreation	762,404	543,028	-	-	762,404	543,028
Community & Economic Development	341,287	309,074	-	-	341,287	309,074
Operating Expenses (Business Type)	-	-	6,194,138	5,880,214	6,194,138	5,880,214
Interest Expense	36,651	59,331	151,534	150,716	188,185	210,047
Total expenses	<u>5,713,907</u>	<u>5,485,441</u>	<u>6,345,672</u>	<u>6,030,930</u>	<u>12,059,579</u>	<u>11,516,371</u>
Increase in net position before transfers	125,334	(775,043)	901,130	748,025	1,026,464	(27,018)
Transfers	35,696	78,059	(35,696)	(78,059)	-	-
Increase in net position	161,030	(696,984)	865,434	669,966	1,026,464	(27,018)
Net position - beginning	15,359,016	16,056,000	20,395,059	19,725,093	35,754,075	35,781,093
Net position - ending	<u>\$ 15,520,046</u>	<u>\$ 15,359,016</u>	<u>\$ 21,260,493</u>	<u>\$ 20,395,059</u>	<u>\$ 36,780,539</u>	<u>\$ 35,754,075</u>

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, 2021 the City's governmental funds (General, Capital Projects, and Special Revenue Fund) reported combined fund equity of \$4,375,061. This represents an increase of \$375,511 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 53.21% of total government fund revenues. The largest element of taxes is sales tax, as it has been for the last several years. It represents 75.14% of total tax revenues and represents 39.98% of total governmental fund revenues.

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 \$5,476,681 to a final budget of \$7,548,165.

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, 2021 amounts to \$34,427,331 (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 or Contributions:

General improvements	\$206,294
General equipment	\$115,874
Airport Projects	\$172,030
South Well – CIP	\$1,076,835
Proprietary equipment	\$47,712
Proprietary improvements	\$268,323

Long-term debt - At June 30, 2021 the City had total debt outstanding of \$9,220,347. Of this amount, \$642,102 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 September 2021, the unemployment rate for Sanpete County is 1.5% compared with a state unemployment rate of 1.6% and a national rate of 4.6%. (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2021, reflects an increase of 20% from the final budget for the fiscal year ended June 30, 2020.

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.

Basic Financial Statements

EPHRAIM CITY
Statement of Net Position
As of June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 3,395,923	\$ 6,713,765	\$ 10,109,688
Receivables (net of allowance for doubtful accounts):			
Trade accounts	690,582	629,210	1,319,792
Other	1,884	17,569	19,453
Inventory	11,878	455,592	467,470
Restricted Assets:			
Cash and cash equivalents	1,043,151	894,855	1,938,006
Capital assets not being depreciated:			
Land	236,139	1,062,448	1,298,587
Water rights	-	6,017,134	6,017,134
Work in process	93,215	1,109,070	1,202,285
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	3,299,978	-	3,299,978
Improvements other than buildings	3,622,868	12,795,454	16,418,322
Equipment	583,152	400,347	983,499
Infrastructure	5,207,526	-	5,207,526
Deferred outflows of resources related to pension	199,571	222,298	421,869
Total assets and deferred outflows of resources	18,385,867	30,317,742	48,703,609
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	186,305	623,671	809,976
Accrued liabilities	414,568	22,458	437,026
Retainage payable	167,484	-	167,484
Compensated absences	157,917	90,941	248,858
Noncurrent Liabilities:			
Net pension liability	43,792	233,751	277,543
Long-term debt due within one year	194,000	448,102	642,102
Long-term debt due after one year	1,191,000	7,387,245	8,578,245
Total Liabilities	2,355,066	8,806,168	11,161,234
Deferred inflows of resources related to pension	510,755	251,081	761,836
Total liabilities and deferred inflows of resources	2,865,821	9,057,249	11,923,070
NET POSITION			
Net investment in capital assets	11,657,878	14,443,961	26,101,839
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	239,402	-	239,402
Debt Service	157,420	-	157,420
Bond requirements	-	894,855	894,855
Impact fees	151,237	-	151,237
Inventory	-	455,592	455,592
Class C Roads	310,163	-	310,163
Unrestricted	2,984,617	5,466,085	8,450,702
Total net position	\$ 15,520,046	\$ 21,260,493	\$ 36,780,539

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

EPHRAIM CITY
Statement of Activities
For the year ended June 30, 2021

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities
Primary Government:							
Governmental Activities:							
General government	\$ 2,041,701	\$ 79,122	\$ 113,043	\$ -	\$ (1,849,536)	\$ -	\$ (1,849,536)
Public safety	1,471,945	95,814	40,222	8,441	(1,327,468)	-	(1,327,468)
Highways and public improvements	968,904	-	310,163	24,117	(634,624)	-	(634,624)
Cemetery	91,015	-	-	-	(91,015)	-	(91,015)
Parks, recreation, and public property	762,404	291,049	76,481	466,425	71,551	-	71,551
Community and economic development	341,287	-	-	-	(341,287)	-	(341,287)
Interest	36,651	-	-	-	(36,651)	-	(36,651)
Total Governmental Activities	5,713,907	465,985	539,909	498,983	(4,209,030)	-	(4,209,030)
Business-type Activities:							
Water	1,103,401	1,422,325	-	549,038	-	867,962	867,962
Sewer	753,916	794,012	-	36,081	-	76,177	76,177
Electric	3,670,548	3,477,796	-	-	-	(192,752)	(192,752)
Housing authority	512,222	479,803	-	-	-	(32,419)	(32,419)
Solid waste	183,864	196,517	-	-	-	12,653	12,653
Total Business-type Activities	6,223,951	6,370,453	-	585,119	-	731,621	731,621
Total Primary Government	\$ 11,937,858	\$ 6,836,438	\$ 539,909	\$ 1,084,102	(4,209,030)	731,621	(3,477,409)
General Revenues:							
Property taxes					445,537	-	445,537
Sales taxes					2,317,020	-	2,317,020
Franchise taxes					321,067	-	321,067
Unrestricted investment earnings					42,455	9,804	52,259
Administrative costs					747,221	-	747,221
Fee in lieu of taxes					180,668	-	180,668
Miscellaneous					280,396	159,705	440,101
Transfers					35,696	(35,696)	-
Total General Revenues and Transfers					4,370,060	133,813	4,503,873
Change in Net Assets					161,030	865,434	1,026,464
Net Position - Beginning					15,359,016	20,395,059	35,754,075
Net Position - Ending					\$ 15,520,046	\$ 21,260,493	\$ 36,780,539

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, 2021

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 755,336	\$ 2,640,587	\$ -	\$ 3,395,923
Accounts Receivable:				
Trade accounts (net of allowance)	690,582	-	-	690,582
Other	-	-	1,884	1,884
Inventory	11,878	-	-	11,878
Restricted assets:				
Cash and cash equivalents	627,000	396,822	19,329	1,043,151
Total Assets	<u>2,084,796</u>	<u>3,037,409</u>	<u>21,213</u>	<u>5,143,418</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable	159,625	26,680	-	186,305
Accrued liabilities	396,863	17,705	-	414,568
Retainage payable	165,600	-	1,884	167,484
Total Liabilities	<u>722,088</u>	<u>44,385</u>	<u>1,884</u>	<u>768,357</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>722,088</u>	<u>44,385</u>	<u>1,884</u>	<u>768,357</u>
FUND BALANCES				
Restricted for:				
Special Improvement agency	-	-	19,329	19,329
Perpetual care	-	239,402	-	239,402
Impact fees	151,237	-	-	151,237
Class C Roads	310,163	-	-	310,163
Debt Service	-	157,420	-	157,420
Assigned for:				
Community activities	10,056	-	-	10,056
Capital projects	-	2,596,202	-	2,596,202
Airport	88,375	-	-	88,375
Unassigned	802,877	-	-	802,877
Total Fund Balances	<u>1,362,708</u>	<u>2,993,024</u>	<u>19,329</u>	<u>4,375,061</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 2,084,796</u>	<u>\$ 3,037,409</u>	<u>\$ 21,213</u>	<u>\$ 5,143,418</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, 2021

Total fund balances - governmental fund types:	<u>\$ 4,375,061</u>
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.	13,042,878
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.	(1,586,709)
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	199,571
Deferred inflows	(510,755)
Net position of government activities:	<u><u>\$ 15,520,046</u></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, 2021

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
REVENUES				
Taxes	\$ 3,083,624	\$ -	\$ -	\$ 3,083,624
Licenses and permits	26,839	-	-	26,839
Intergovernmental revenues	995,175	-	-	995,175
Charges for services	343,332	-	-	343,332
Fines and forfeitures	95,814	-	-	95,814
Interest income	40,346	2,109	-	42,455
Administration	747,221	-	-	747,221
In lieu of taxes	180,668	-	-	180,668
Miscellaneous	202,096	78,300	-	280,396
Total Revenues	<u>5,715,115</u>	<u>80,409</u>	<u>-</u>	<u>5,795,524</u>
EXPENDITURES				
Current:				
General government	2,027,027	6,103	-	2,033,130
Public safety	1,463,728	-	-	1,463,728
Highways and public improvements	521,579	-	-	521,579
Parks, recreation, and public property	724,802	-	-	724,802
Community and economic development	337,425	-	-	337,425
Cemetery	78,415	-	-	78,415
Capital outlay	-	112,696	-	112,696
Debt Service:				
Principal	-	213,702	-	213,702
Interest	-	15,949	-	15,949
Total Expenditures	<u>5,152,976</u>	<u>348,450</u>	<u>-</u>	<u>5,501,426</u>
Excess Revenues Over (Under) Expenditures	<u>562,139</u>	<u>(268,041)</u>	<u>-</u>	<u>294,098</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	47,696	289,143	-	336,839
Transfers out	(301,143)	-	-	(301,143)
Impact fees	43,717	-	-	43,717
Total Other Financing Sources and Uses	<u>(209,730)</u>	<u>289,143</u>	<u>-</u>	<u>79,413</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>352,409</u>	<u>21,102</u>	<u>-</u>	<u>373,511</u>
Fund Balances - Beginning	<u>1,010,299</u>	<u>2,971,922</u>	<u>19,329</u>	<u>4,001,550</u>
Fund Balances - Ending	<u>\$ 1,362,708</u>	<u>\$ 2,993,024</u>	<u>\$ 19,329</u>	<u>\$ 4,375,061</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, 2021

Net changes in fund balances - total governmental funds:	<u>\$ 373,511</u>
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.	(498,424)
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.	193,000
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:	
Change in Compensated Absences	(19,344)
The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	112,287
Change in net position of governmental activities:	<u><u>\$ 161,030</u></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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,341,003	\$ 2,801,003	\$ 3,083,624	\$ 282,621
Licenses and permits	16,000	16,000	26,839	10,839
Intergovernmental revenues	839,262	1,753,678	995,175	(758,503)
Charges for services	300,400	300,400	343,332	42,932
Fines and forfeitures	95,000	70,000	95,814	25,814
Interest income	122,000	72,000	40,346	(31,654)
Administrative	747,221	747,221	747,221	-
In lieu of taxes	180,668	180,668	180,668	-
Miscellaneous	171,412	203,168	202,296	(872)
Total Revenues	<u>4,812,966</u>	<u>6,144,138</u>	<u>5,715,315</u>	<u>(428,823)</u>
EXPENDITURES				
Current:				
General government	1,825,663	3,291,316	2,027,027	(1,264,289)
Public safety	1,492,964	1,606,964	1,463,728	(143,236)
Highways and public improvements	671,744	832,144	521,579	(310,565)
Cemetery	72,826	98,826	78,415	(20,411)
Airport	522,924	789,055	192,540	(596,515)
Parks, recreation, and public property	552,377	574,177	532,262	(41,915)
Community and economic development	338,183	355,683	337,425	(18,258)
Total Expenditures	<u>5,476,681</u>	<u>7,548,165</u>	<u>5,152,976</u>	<u>(2,395,189)</u>
Excess Revenues Over (Under)				
Expenditures	<u>(663,715)</u>	<u>(1,404,027)</u>	<u>562,339</u>	<u>1,966,366</u>
Other financing sources (uses)				
Transfers in	875,358	1,375,358	47,696	(1,327,662)
Transfers out	(246,143)	(801,143)	(301,143)	500,000
Impact fees	(17,500)	(12,500)	43,717	56,217
Total Other Financing Sources and Uses	<u>611,715</u>	<u>561,715</u>	<u>(209,930)</u>	<u>(771,645)</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(52,000)</u>	<u>(842,312)</u>	<u>352,409</u>	<u>1,194,721</u>
Fund Balances - Beginning			1,010,299	
Fund Balances - Ending			<u>\$ 1,362,708</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, 2021

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Other Proprietary (Non-Major)	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 693,634	\$ 892,223	\$ 4,199,316	\$ 928,592	\$ 6,713,765
Accounts Receivable:					
Utilities receivable	169,874	71,296	375,348	18,311	634,829
Allowance for doubtful accounts	(1,016)	(823)	(3,516)	(264)	(5,619)
Other receivables	-	-	-	17,569	17,569
Inventory - at cost	181,109	20,693	253,790	-	455,592
Restricted Assets:					
Restricted cash and cash equivalents	361,058	533,797	-	-	894,855
Total Current Assets	1,404,659	1,517,186	4,824,938	964,208	8,710,991
Noncurrent Assets					
Land	686,265	376,183	-	-	1,062,448
Construction-in-progress	1,081,440	-	27,630	-	1,109,070
Improvements other than buildings	7,357,091	5,797,710	9,904,809	231,708	23,291,318
Less: accumulated depreciation	(3,732,193)	(1,921,706)	(4,681,590)	(160,375)	(10,495,864)
Machinery and equipment	758,492	516,778	1,467,419	146,937	2,889,626
Less: accumulated depreciation	(665,913)	(419,388)	(1,303,000)	(100,978)	(2,489,279)
Water rights	6,017,134	-	-	-	6,017,134
Total Noncurrent Assets	11,502,316	4,349,577	5,415,268	117,292	21,384,453
Deferred outflow of resources	49,800	52,233	120,265	-	222,298
Total Assets and Deferred Outflow of Resources	12,956,775	5,918,996	10,360,471	1,081,500	30,317,742
LIABILITIES					
Current Liabilities:					
Accounts payable	101,308	58,138	451,219	13,006	623,671
Accrued liabilities	6,635	5,176	10,647	-	22,458
Compensated absences	27,989	17,634	45,318	-	90,941
Current portion of bonds payable	268,416	160,000	19,686	-	448,102
Total Current Liabilities	404,348	240,948	526,870	13,006	1,185,172
Noncurrent Liabilities:					
Bonds and loans payable	4,452,696	2,298,289	636,260	-	7,387,245
Net pension liability	49,013	11,651	173,087	-	233,751
Total Noncurrent Liabilities	4,501,709	2,309,940	809,347	-	7,620,996
Deferred Inflows of Resources	63,786	94,971	92,324	-	251,081
Total Liabilities and Deferred Inflow of Resources	4,969,843	2,645,859	1,428,541	13,006	9,057,249
NET POSITION					
Net investment in capital assets	7,142,262	2,425,085	4,759,322	117,292	14,443,961
Retained Earnings					
Restricted for:					
Bond requirements	361,058	533,797	-	-	894,855
Inventory	181,109	20,693	253,790	-	455,592
Unrestricted	302,503	293,562	3,918,818	951,202	5,466,085
Total Net Position	\$ 7,986,932	\$ 3,273,137	\$ 8,931,930	\$ 1,068,494	\$ 21,260,493

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, 2021

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Electric	Other Proprietary	
Operating Revenues:					
Charges for sales and services	\$ 1,422,325	\$ 794,012	\$ 3,477,796	\$ 676,320	\$ 6,370,453
Grants	429,305	-	-	-	429,305
Miscellaneous	1,200	2,270	146,865	9,370	159,705
Total Operating Revenues	<u>1,852,830</u>	<u>796,282</u>	<u>3,624,661</u>	<u>685,690</u>	<u>6,959,463</u>
Operating Expenses:					
Salaries and wages	187,237	136,088	375,990	4,871	704,186
Employee benefits	120,832	93,643	232,221	432	447,128
Power purchases	-	-	1,900,473	-	1,900,473
Administrative costs	152,791	110,681	457,496	26,253	747,221
Materials and supplies	25,047	2,712	203,078	-	230,837
Repairs and maintenance	4,808	7,103	18,256	-	30,167
Depreciation	350,691	158,460	263,344	6,303	778,798
Service in lieu of taxes	62,093	60,793	65	454	123,405
Insurance	16,498	5,030	18,857	1,071	41,456
Professional services	66,474	18,331	17,106	6,115	108,026
Utilities and telephone	8,535	106,279	9,205	-	124,019
Travel and training	2,811	1,184	4,348	-	8,343
Landfill costs	-	-	-	58,860	58,860
Leases & rents	6,635	4,033	9,458	-	20,126
Collection costs	-	-	-	92,459	92,459
Miscellaneous	23,212	9,317	170,138	499,268	701,935
Total Operating Expenses	<u>1,027,664</u>	<u>713,654</u>	<u>3,680,035</u>	<u>696,086</u>	<u>6,117,439</u>
Operating Income	<u>825,166</u>	<u>82,628</u>	<u>(55,374)</u>	<u>(10,396)</u>	<u>842,024</u>
Nonoperating Revenues (Expenses):					
Interest revenue	2,450	1,919	3,728	1,707	9,804
Interest expense	(88,322)	(49,166)	(14,046)	-	(151,534)
Pension exp-Actuarial calc (GASB 68)	(21,439)	(15,168)	(40,092)	-	(76,699)
Benefits exp-Change in NPL/NPA (GASB 68)	34,024	24,072	63,625	-	121,721
Impact fees	119,733	36,081	-	-	155,814
Total Nonoperating Revenues (Expenses)	<u>46,446</u>	<u>(2,262)</u>	<u>13,215</u>	<u>1,707</u>	<u>59,106</u>
Other Financing Sources (Uses)					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	-	(2,592)	(138,644)	-	(141,236)
Total Other Financing Sources (Uses)	<u>3,718</u>	<u>99,230</u>	<u>(138,644)</u>	<u>-</u>	<u>(35,696)</u>
Net Income (Loss)	<u>875,330</u>	<u>179,596</u>	<u>(180,803)</u>	<u>(8,689)</u>	<u>865,434</u>
Change in Net Position	<u>875,330</u>	<u>179,596</u>	<u>(180,803)</u>	<u>(8,689)</u>	<u>865,434</u>
Total Net Position - Beginning	7,111,602	3,093,541	9,112,733	1,077,183	20,395,059
Total Net Position - Ending	<u>\$ 7,986,932</u>	<u>\$ 3,273,137</u>	<u>\$ 8,931,930</u>	<u>\$ 1,068,494</u>	<u>\$ 21,260,493</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, 2021

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non-major Proprietary	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,487,339	\$ 794,068	\$ 3,404,211	\$ 676,785	\$ 6,362,403
Other cash receipts	1,200	2,270	146,865	9,370	159,705
Grant funds received	429,305	-	-	-	429,305
Payments to suppliers	(643,758)	(306,355)	(2,631,911)	(593,747)	(4,175,771)
Payments to employees	(312,155)	(227,999)	(602,324)	(5,303)	(1,147,781)
Net cash provided (used) by operating activities	961,931	261,984	316,841	87,105	1,627,861
Cash Flows From Non-Capital and Related Financing Activities					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	-	(2,592)	(138,644)	-	(141,236)
Net cash provided (used) by non-capital and related financing activities	3,718	99,230	(138,644)	-	(35,696)
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(1,167,301)	(123,566)	(120,769)	(8,865)	(1,420,501)
Principal paid on capital debt	(288,953)	-	(19,408)	-	(308,361)
Proceeds from long term debt	560,000	-	-	-	560,000
Collection of impact fees	119,733	36,081	-	-	155,814
Interest paid on capital debt	(88,322)	(49,166)	(14,046)	-	(151,534)
Net cash provided (used) by capital and related financing activities	(864,843)	(136,651)	(154,223)	(8,865)	(1,164,582)
Cash Flows From Investing Activities					
Interest and dividends received	2,450	1,919	3,728	1,707	9,804
Net cash provided (used) by investing activities	2,450	1,919	3,728	1,707	9,804
Net increase (decrease) in cash and cash equivalents	103,256	226,482	27,702	79,947	437,387
Cash and cash equivalents, July 1	951,436	1,199,538	4,171,614	848,645	7,171,233
Cash and cash equivalents, June 30	\$ 1,054,692	\$ 1,426,020	\$ 4,199,316	\$ 928,592	\$ 7,608,620
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 825,166	\$ 82,628	\$ (55,374)	\$ (10,396)	\$ 842,024
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	350,691	158,460	263,344	6,303	778,798
(Increase) decrease in accounts receivable	65,014	56	(73,585)	465	(8,050)
(Increase) decrease in inventories	(25,873)	(2,326)	(51,662)	90,686	10,825
Increase (decrease) in payables	(248,981)	21,434	228,231	47	731
Increase (decrease) in accrued liabilities	(6,650)	2,413	3,004	-	(1,233)
Increase (decrease) in compensated absences	2,564	(681)	2,883	-	4,766
Total adjustments	136,765	179,356	372,215	97,501	785,837
Net cash provided (used) by operating activities	\$ 961,931	\$ 261,984	\$ 316,841	\$ 87,105	\$ 1,627,861

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, 2021

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

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, 2021

- 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, and rodeo grounds.

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.
Enterprise Funds:	
Water, Sewer, Electric and Housing Authority Funds	Accounts for revenues and expenditures of water, sewer and electric utilities.

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, 2021

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, And the Rodeo Grounds 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.

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.

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, 2021

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; 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

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, 2021

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. The City’s capitalization policy is to capitalize assets \$5,000 or greater in value.

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.

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.

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, 2021

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:

- 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.”

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, 2021

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.

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 1st 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.

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, 2021

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.

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.

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, 2021

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 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 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, 2021

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, 2021, 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, 2021, the City had \$543,000 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, 2021, the City had \$8,677,347 of such indebtedness.

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, 2021.

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.

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, 2021

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 35% 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. For the year ended June 30, 2021, all departments and funds were within budgeted appropriations, except for the Manti-Ephraim Airport which had expenditures that exceeded budgeted appropriations.

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, 2021, the City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2021
Depository Accounts:	Insured	\$ 331,110
	Uninsured and uncollateralized	373,793
Total Depository Accounts		\$ 704,903

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, 2021

Investments

As of June 30, 2021 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years		
		Less Than 1	1-5	More Than 5
Investment in Public				
Treasurers' Investment Fund	\$ 11,412,662	\$ 11,412,662		
Total Fair Value	\$ 11,412,662	\$ 11,412,662	\$ -	\$ -

Fair Value of Investments – The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered hierarchy, as follow: Level 1—Quoted prices for identical investments in active markets; Level 2 – Observable inputs other than quoted market prices; and, Level 3 – Unobservable inputs. At June 30, 2021 the City had all investments in the PTIF, which uses a Level 2 fair value measurement.

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 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		\$	11,412,662
Deposits			635,032
	Total	\$	12,047,694
Per Statement of Net Position			
Unrestricted Cash		\$	10,109,688
Restricted Cash			1,938,006
	Total	\$	12,047,694

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, 2021

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2021, are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Business-Type Activities:				
Bond Requirements	\$ 894,855	\$ -	\$ -	\$ 894,855
Impact Fees	-	-	-	-
Total	894,855	-	-	894,855
Governmental Activities:				
Retainage Payable	165,600	-	-	165,600
Special Improvement Agency	19,329	-	-	19,329
Perpetual care	239,402	-	-	239,402
Debt Service	157,420	-	-	157,420
Impact Fees	151,237	-	-	151,237
Class C Roads	310,163	-	-	310,163
Total	1,043,151	-	-	1,043,151
Grand Totals	\$ 1,938,006	\$ -	\$ -	\$ 1,938,006

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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 690,582	\$ 634,829	\$ 1,325,411
Special Assessments	1,884	-	1,884
Housing Authority	-	17,569	17,569
Allowance for Doubtful Accounts	-	(5,619)	(5,619)
Net Accounts Receivable	\$ 692,466	\$ 646,779	\$ 1,339,245

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, 2021

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Disposals Transfers</u>	<u>Balance at June 30, 2021</u>
Governmental Activities:				
Land	\$ 216,039	\$ -	\$ -	\$ 216,039
Impact Fees - Street Facilities	20,100	-	-	20,100
Buildings	5,948,508	-	-	5,948,508
Improvements	4,742,336	218,789	-	4,961,125
Machinery and Equipment	2,188,500	115,874	-	2,304,374
Infrastructure	14,867,422	177,722	-	15,045,144
Work in Progress	-	93,215	-	93,215
Totals at historical cost	<u>27,982,905</u>	<u>605,600</u>	<u>-</u>	<u>28,588,505</u>
Less Accumulated Depreciation:				
Buildings	(2,507,058)	(141,472)	-	(2,648,530)
Improvements	(1,211,119)	(127,138)	-	(1,338,257)
Machinery and Equipment	(1,565,713)	(155,509)	-	(1,721,222)
Infrastructre	(9,157,713)	(679,905)	-	(9,837,618)
Total Accum. Depreciaiton	<u>(14,441,603)</u>	<u>(1,104,024)</u>	<u>-</u>	<u>(15,545,627)</u>
Governmental Activities capital assets, net	<u>\$ 13,541,302</u>	<u>\$ (498,424)</u>	<u>\$ -</u>	<u>\$ 13,042,878</u>
Business-type Activities:				
Land	\$ 1,062,448	\$ -	\$ -	\$ 1,062,448
Building and Improvements	22,760,368	268,323	-	23,028,691
Machinery and Equipment	2,891,730	47,712	-	2,939,442
Water Rights	5,497,534	-	-	5,497,534
Impact fee assets	732,411	-	-	732,411
Work in Progress	4,605	1,104,466	-	1,109,071
Totals at historical cost	<u>32,949,096</u>	<u>1,420,501</u>	<u>-</u>	<u>34,369,597</u>
Less Accumulated Depreciation:				
Building and Improvements	(9,821,081)	(310,223)	-	(10,131,304)
Machinery and Equipment	(2,385,263)	(104,017)	-	(2,489,280)
Impact fee assets	(338,796)	(25,764)	-	(364,560)
Total Accum. Depreciaiton	<u>(12,545,140)</u>	<u>(440,004)</u>	<u>-</u>	<u>(12,985,144)</u>
Business-type Activities capital assets, net	<u>\$ 20,403,956</u>	<u>\$ 980,497</u>	<u>\$ -</u>	<u>\$ 21,384,453</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 497,039
Public safety	86,173
Highways and public improvements	37,602
Parks, recreation and public property	466,748
Community and economic development	3,862
Cemetery	12,600
Total depreciation expense	<u>\$ 1,104,024</u>

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.

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, 2021

Governmental Activities:

As of June 30, 2021, the City had \$1,542,917 in governmental long-term-debt:

Governmental:	2021
Bonds Payable:	
Library Bonds, Series 2007	
Original Principal \$1,120,000 @ 2.5%	450,000
Public Safety Bonds, Series 2000	
Original Principal \$670,000 @ 2.5%	39,000
Building Authority, Series 2005	
Original Principal \$141,000 @ 0%	54,000
Total Bonds Payable	543,000
Direct Borrowings:	
City Office Notes, Series 2001	
Original Principal \$1,925,000 @ 3.85%	842,000
Total Direct Borrowings	842,000
Compensated Absences	157,917
Total Governmental Long-Term Debt	\$ 1,542,917

Business-type Activities:

As of June 30, 2021, the long-term debt payable from proprietary fund resources consisted of the following:

Business:	2021
Bonds Payable:	
2014 Utah Waste Water Expansion Bonds	
Original Principal \$2,583,000 @ 2.00%	2,458,289
2019 Parity Revenue Bond - Water	
Original Principal \$346,000 @ 2.5%	325,000
Total Bonds Payable	2,783,289
Direct Borrowings:	
2018 Nielsen Note Payable	
Original Principal \$3,965,000 @ 2%	2,972,166
2018 Ephraim Irrigation Note Payable	
Original Principal \$1,077,500 @ 2%	986,892
2019 Water Well Note Payable	
Original Principal \$1,145,000 @ 1%	1,093,000
Total Direct Borrowings	5,052,058
Compensated Absences	90,941
Total Business-Type Long-Term Debt	\$ 7,926,288

The outstanding bonds and other direct borrowings are all secured with their respective revenues and/or property and equipment as collateral.

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, 2021

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

Type of Debt	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities:				
Compensated Absences	\$ 138,573	\$ 19,344	\$ -	\$ 157,917
Bonds Payable	641,000	-	(98,000)	543,000
Direct Borrowings	937,000	-	(95,000)	842,000
Total Governmental Debt	1,716,573	19,344	(193,000)	1,542,917
Business-type Activities:				
Compensated Absences	86,175	5,447	(681)	90,941
Bonds Payable	2,794,287	-	(11,000)	2,783,287
Direct Borrowings	4,789,421	560,000	(297,361)	5,052,060
Total Business-type Debt	\$ 7,669,883	\$ 565,447	\$ (309,042)	\$ 7,926,288

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, 2021, are as follows:

Year Ending June 30,	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2022	\$ 194,000	\$ 35,032	\$ 448,102	\$ 143,975
2023	158,000	30,207	456,376	135,226
2024	122,000	26,023	464,752	126,316
2025	120,000	22,721	474,234	117,239
2026	123,000	19,449	483,821	107,976
2027-2031	443,000	55,833	2,562,821	394,310
2032-2036	225,000	10,522	1,653,944	150,615
2037-2041	-	-	966,213	57,960
2042-2046	-	-	272,402	23,899
2047-2051	-	-	52,682	1,562
Total	\$ 1,385,000	\$ 199,787	\$ 7,835,347	\$ 1,259,078

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, 2021

3.G. INTER-FUND TRANSACTIONS AND BALANCES

Operating Transfers

The City had the following inter-fund transactions for the year ended June 30, 2021.

	<u>Transfer to</u>	<u>Transfer from</u>
Transfer to/from General Fund	35,696	301,143
Transfer to Parks and Recreation Fund	55,000	-
Transfer to Building Authority Fund	234,143	-
Transfer to/from Water Fund	3,718	-
Transfer to/from Sewer Fund	101,822	2,592
Transfer from Electric Fund	-	138,644
Transfer to Airport Fund	12,000	-
	<u>\$ 442,379</u>	<u>\$ 442,379</u>

3.H. FUND EQUITY

Restricted Fund Equity

NET POSITION

Net investment in capital assets	11,657,878	14,443,961	26,101,839
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	239,402	-	239,402
Debt Service	157,420	-	157,420
Bond requirements	-	894,855	894,855
Impact fees	151,237	-	151,237
Inventory	-	455,592	455,592
Class C Roads	310,163	-	310,163
Unrestricted	2,984,617	5,466,085	8,450,702
Total net position	<u>\$ 15,520,046</u>	<u>\$ 21,260,493</u>	<u>\$ 36,780,539</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.

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, 2021

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.org/general/publications.

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%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year to June 2020 2.00% per year July 2020 to present	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.

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, 2021

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:

Utah Retirement Systems

	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	15.80	0.89
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	2.27	N/A	25.83	N/A
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
222-Public Safety	N/A	N/A	11.83	14.00

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, 2021, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$182,826	N/A
Public Safety System	136,702	-
Tier 2 Public Employees System	88,384	-
Tier 2 Public Safety and Firefighter	14,568	1,280
Tier 2 DC Only System	2,853	N/A
Total Contributions	\$425,333	\$ 1,280

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.

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, 2021

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

At June 30, 2021, we reported a net pension asset of \$0 and a net pension liability of \$844,975.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share June 30, 2019	Change (Decrease)
Noncontributory System	\$ -	\$ 63,221	0.1232511%	0.1208930%	0.0023581%
Public Safety System	-	207,190	0.2495534%	0.2374358%	0.0121176%
Tier 2 Public Employees System	-	4,665	0.0324363%	0.0307410%	0.0016953%
Tier 2 Public Safety and Fire Fighter System	-	2,470	0.0275357%	0.0127607%	0.0147750%
	<u>\$ -</u>	<u>\$ 277,546</u>			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2021. We recognized pension expense of \$267,992.

At June 30, 2021, 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	\$ 128,521	\$ 2,337
Changes in assumptions	6,475	14,598
Net difference between projected and actual earnings on pension plan investments	-	744,590
Changes in proportion and differences between contributions and proportionate share of contributions	74,160	310
Contributions subsequent to the measurement date	212,714	-
Total	<u>\$ 421,870</u>	<u>\$ 761,835</u>

\$212,714 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, 2020.

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, 2021

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

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2021	\$ (118,344)
2022	\$ (65,286)
2023	\$ (259,512)
2024	\$ (121,838)
2025	\$ 1,867
Thereafter	\$ 10,433

Actuarial assumptions: The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	2.50 percent
Salary increases	3.25-9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

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

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:

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, 2021

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	37.00%	6.30%	2.33%
Debt securities	20.00%	0.00%	0.00%
Real assets	15.00%	6.19%	0.93%
Private equity	12.00%	9.50%	1.14%
Absolute return	16.00%	2.75%	0.44%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100%		4.84%
	Inflation		2.50%
	Expected arithmetic nominal return		7.34%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,096,060	\$ 63,221	\$ (797,806)
Public Safety System	874,723	207,190	(334,846)
Tier 2 Public Employees System	78,502	4,665	(51,818)
Tier 2 Public Safety and Firefighter	11,644	2,470	(4,847)
	\$2,060,929	\$277,546	(\$1,189,317)

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.

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, 2021

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:

	2021	2020	2019	2018	2017	2016
401(k) Plan						
Employer Contributions	\$133,681	\$130,695	\$98,187	\$82,280	\$95,784	\$72,332
Employee Contributions	\$86,007	\$86,284	\$69,825	\$54,761	\$46,417	\$37,871
457 Plan						
Employer Contributions	\$0	\$0	\$0	\$0	\$13,380	\$9,693
Employee Contributions	\$2,428	\$2,474	\$854	\$819	\$814	\$694
Roth IRA Plan						
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A
Employee Contributions	\$3,320	\$1,300	\$1,300	\$1,080	\$870	\$790

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

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued. At this point, the extent to which COVID-19 may impact the entity is uncertain.

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 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, 2021

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 0.9246% 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.

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

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**Required Supplementary Information
(Unaudited)**

EPHRAIM CITY
Schedule of Contributions
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):				
2021	0.123251%	0.2495534%	0.0324363%	0.0275357%
2020	0.1208930%	0.2374358%	0.0307410%	0.0127607%
2019	0.1104928%	0.2132244%	0.0277947%	0.0163839%
2018	0.1047535%	0.1445514%	0.0274776%	0.0183082%
2017	0.1003659%	0.1535813%	0.0245557%	0.0000000%
2016	0.0909519%	0.1122023%	0.0215828%	0.0339561%
2021	\$ 63,221	\$ 207,190	\$ 4,665	\$ 2,470
2020	455,630	381,231	6,914	1,200
2019	813,638	548,538	11,904	411
2018	458,956	226,752	2,423	(212)
2017	644,472	311,659	2,739	-
2016	514,650	200,983	(47)	(496)
2021	\$ 1,024,827	\$ 394,717	\$ 518,446	\$ 54,856
2020	1,011,797	375,047	427,246	20,998
2019	917,189	326,821	324,083	22,419
2018	862,737	283,954	268,860	19,267
2017	843,010	324,007	201,376	-
2016	749,343	239,246	139,429	20,160
2021	6.17%	52.49%	0.90%	4.50%
2020	45.03%	101.65%	1.62%	5.71%
2019	88.71%	167.84%	3.67%	1.83%
2018	53.20%	79.86%	0.90%	-1.10%
2017	76.45%	96.19%	1.36%	0.00%
2016	68.68%	84.01%	-0.03%	-2.46%
2021	99.2%	95.5%	98.3%	93.1%
2020	93.7%	90.9%	96.5%	89.6%
2019	87.0%	84.7%	90.8%	95.6%
2018	91.9%	90.2%	97.4%	103.0%
2017	87.3%	86.5%	95.1%	103.6%
2016	87.8%	87.1%	100.2%	110.7%
Covered Employee Payroll:				
Proportionate share of the net pension liability (asset)				
as a percentage of its covered-employee payroll:				
Plan fiduciary net position as a percentage of its covered-employee payroll:				

* 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 six years.

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

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

As of fiscal year ended June 30,	Contributions in relation to the				Contributions as a percentage of	
	Actuarial Determined Contributions	contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Covered employee payroll	covered employee payroll
Noncontributory System						
2014	\$ 134,236	\$ 134,236	\$ -	\$ 726,780	\$ 726,780	18.47%
2015	142,441	142,441	-	779,488	779,488	18.27%
2016	162,849	162,849	-	881,692	881,692	18.47%
2017	162,833	162,833	-	881,608	881,608	18.47%
2018	175,417	175,417	-	949,743	949,743	18.47%
2019	196,539	196,539	-	1,064,099	1,064,099	18.47%
2021	182,826	182,826	-	989,853	989,853	18.47%
Public Safety Systems						
2014	\$ 48,149	\$ 48,149	\$ -	\$ 141,449	\$ 141,449	34.04%
2015	69,643	69,643	-	204,591	204,591	34.04%
2016	81,615	81,615	-	249,510	249,510	32.71%
2017	85,140	85,140	-	272,101	272,101	31.29%
2018	123,963	123,963	-	364,168	364,168	34.04%
2019	131,338	131,338	-	385,900	385,900	34.03%
2021	136,702	136,702	-	402,119	402,119	34.00%
Tier 2 Public Employees System *						
2014	\$ 20,253	\$ 20,253	\$ -	\$ 135,565	\$ 135,565	14.94%
2015	21,462	21,462	-	143,947	143,947	14.91%
2016	37,620	37,620	-	252,313	252,313	14.91%
2017	43,915	43,915	-	290,635	290,635	15.11%
2018	59,748	59,748	-	384,479	384,479	15.54%
2019	72,729	72,729	-	465,894	465,894	15.61%
2021	88,384	88,384	-	559,389	559,389	15.80%
Tier 2 Public Safety and Firefighter System *						
2014	\$ 8,804	\$ 8,804	\$ -	\$ 39,042	\$ 39,042	22.55%
2015	258	258	-	1,146	1,146	22.50%
2016	-	-	-	-	-	0.00%
2017	9,133	9,133	-	40,464	40,464	22.57%
2018	282	282	-	1,221	1,221	23.09%
2019	11,090	11,090	-	47,946	47,946	23.13%
2021	14,568	14,568	-	56,400	56,400	25.83%
Tier 2 Public Employees DC Only System *						
2014	\$ 1,999	\$ 1,999	\$ -	\$ 29,747	\$ 29,747	6.72%
2015	2,086	2,086	-	31,174	31,174	6.69%
2016	2,536	2,536	-	37,902	37,902	6.69%
2017	2,546	2,546	-	38,053	38,053	6.69%
2018	2,667	2,667	-	39,867	39,867	6.69%
2019	2,758	2,758	-	41,230	41,230	6.69%
2021	2,853	2,853	-	42,653	42,653	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 schedule above is for the prior seven years, a 10-year history will need to be built prospectively.
***Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

Changes in Assumptions

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability of as December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the “Retirement Office” column using the “Reports and Stats” tab.

Supplementary Information

EPHRAIM CITY
Combining Statement of Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			Total
	Solid Waste	Housing Authority	Rodeo Grounds	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 202,364	\$ 641,285	\$ 84,943	928,592
Accounts Receivable:				
Utilities receivable	18,311	-	-	18,311
Allowance for doubtful accounts	(264)	-	-	(264)
Other receivables	-	17,569	-	17,569
Total Current Assets	220,411	658,854	84,943	964,208
FIXED ASSETS				
Improvements	-	77,150	154,558	231,708
Less: accumulated depreciation	-	(5,817)	(154,558)	(160,375)
Machinery and equipment	146,937	-	-	146,937
Less: accumulated depreciation	(100,978)	-	-	(100,978)
Total Noncurrent Assets	45,959	71,333	-	117,292
Total Assets	266,370	730,187	84,943	1,081,500
LIABILITIES				
Current Liabilities:				
Accounts payable	12,633	373	-	13,006
Total Current Liabilities	12,633	373	-	13,006
NET POSITION				
Net investment in capital assets	45,959	71,333	-	117,292
Retained Earnings				
Restricted for:				
Unrestricted	207,778	658,481	84,943	951,202
Total Net Position	\$ 253,737	\$ 729,814	\$ 84,943	\$ 1,068,494

EPHRAIM CITY
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			Total
	Solid Waste	Housing Authority	Rodeo Grounds	
Operating Revenues:				
Charges for sales and services	\$ 196,517	\$ 479,803	\$ -	\$ 676,320
Miscellaneous	-	9,370.00	-	9,370
Total Operating Revenues	196,517	489,173	-	685,690
Operating Expenses:				
Salaries and wages	-	4,871	-	4,871
Employee Benefits	-	432	-	432
Administrative costs	26,253	-	-	26,253
Depreciation	5,140	1,163	-	6,303
Service in lieu of taxes	454	-	-	454
Insurance	435	636	-	1,071
Professional services	-	6,115	-	6,115
Landfill costs	58,860	-	-	58,860
Collection costs	92,459	-	-	92,459
Miscellaneous	263	499,005	-	499,268
Total Operating Expenses	183,864	512,222	-	696,086
Operating income	12,653	(23,049)	-	(10,396)
Nonoperating Revenues (Expenses):				
Interest revenue	-	1,707	-	1,707
Total Nonoperating Revenues (Expenses)	-	1,707	-	1,707
Net Income (Loss)	12,653	(21,342)	-	(8,689)
Change in Net Assets	12,653	(21,342)	-	(8,689)
Total Net Position - Beginning	241,084	751,156	84,943	1,077,183
Total Net Position - Ending	\$ 253,737	\$ 729,814	\$ 84,943	\$ 1,068,494

EPHRAIM CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			
	Solid Waste	Housing Authority	Rodeo Grounds	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 196,982	\$ 479,803	\$ -	\$ 676,785
Other cash receipts	-	9,370	-	9,370
Payments to suppliers	(178,697)	(415,050)	-	(593,747)
Payments to employees	-	(5,303)	-	(5,303)
Net cash provided (used) by operating activities	<u>18,285</u>	<u>68,820</u>	<u>-</u>	<u>87,105</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(8,865)	-	-	(8,865)
Net cash provided (used) by capital and related financing activities	<u>(8,865)</u>	<u>-</u>	<u>-</u>	<u>(8,865)</u>
Cash Flows From Investing Activities				
Interest and dividends received	-	1,707	-	1,707
Net cash provided (used) by investing activities	<u>-</u>	<u>1,707</u>	<u>-</u>	<u>1,707</u>
Net increase (decrease) in cash and cash equivalents	9,420	70,527	-	79,947
Cash and cash equivalents, July 1	192,944	570,758	84,943	848,645
Cash and cash equivalents, June 30	<u>\$ 202,364</u>	<u>\$ 641,285</u>	<u>\$ 84,943</u>	<u>\$ 928,592</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 12,653	\$ (23,049)	\$ -	\$ (10,396)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	5,140	1,163	-	6,303
(Increase) decrease in accounts receivable	465	-	-	465
(Increase) decrease in inventories	-	90,686	-	90,686
Increase (decrease) in accrued liabilities	27	20	-	47
Total adjustments	<u>5,632</u>	<u>91,869</u>	<u>-</u>	<u>97,501</u>
Net cash provided (used) by operating activities	<u>\$ 18,285</u>	<u>\$ 68,820</u>	<u>\$ -</u>	<u>\$ 87,105</u>

Other Reports

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

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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 20, 2021.

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.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah

November 20, 2021



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

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, 2021.

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

- | | |
|---------------------------------------|-----------------------|
| Budgetary Compliance | Fraud Risk Assessment |
| Fund Balance | Government Fees |
| Justice Courts | |
| Restricted Taxes and Related Revenues | |

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, 2021. Compliance requirements. However, our audit does not provide a legal determination of city’s compliance.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

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

Larson & Company, PC

Spanish Fork, Utah
November 20, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

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

Report on Compliance for Each Major Federal Program

We have audited the Ephraim City, Utah's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ephraim City's major federal programs for the year ended June 30, 2021. Ephraim City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ephraim City's major federal programs based on our audit of the types of 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ephraim 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 for each major federal program. However, our audit does not provide a legal determination of Ephraim City's compliance.

Opinion on Each Major Federal Program

In our opinion, Ephraim City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Ephraim City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ephraim City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Ephraim 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 type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance, which we consider to be material weaknesses.

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah

November 20, 2021

EPHRAIM CITY
Schedule of Findings of Questioned Costs
For the Year Ended June 30, 2021

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the Ephraim City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Ephraim City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Guidance.
5. The independent auditor's report on compliance for the major federal award programs for the Ephraim City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under 2 CFR section 200.516(a).
7. The programs tested as a major program include:

Coronavirus Relief Fund	21.019
WaterSmart Drought Response Program	15.514
8. The threshold for distinguishing Types A and B programs is \$750,000 of federal awards expended.
9. Ephraim City was determined not to be a low-risk auditee.

EPHRAIM CITY

Schedule of Findings of Questioned Costs (Continued)

For the Year Ended June 30, 2021

FINANCIAL STATEMENT FINDINGS

No findings noted during current audit

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENT FINDINGS

No findings noted during prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit

EPHRAIM CITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Contract</u>	<u>Amount of Expenditures</u>
Direct Assistance			
U.S Department of the Treasury			
* Coronavirus Relief Fund	21.019		362,051
<i>Total U.S Department of the Treasury</i>			<u>362,051</u>
U.S Department of the Interior (DOI)			
* WaterSmart Drought Response Program	15.514	R18AP00090	417,089
<i>Total U.S Department of the Interior (DOI)</i>			<u>417,089</u>
Total Direct Assistance			<u><u>779,140</u></u>
Indirect Assistance			
U.S Department of Transportation			
<i>Passthrough the Utah Department of Transportation</i>			
Airport Improvement Program - FAA	20.106	3-49-0018-009-2017	93,215
<i>Total U.S Department of Transportation</i>			<u>93,215</u>
Institute of Museums and Libraries			
<i>Passed through the Utah State Library</i>			
CARES Act: Grants for Museums and Libraries	45.312		736
<i>Total Institute of Museums and Libraries</i>			<u>736</u>
Total Indirect Assistance			<u><u>93,951</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 873,091</u></u>

* Major Program

EPHRAIM CITY

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

1. GENERAL

The accompanying schedule of expenditures of federal awards (the schedule) includes the grant activity of Ephraim City (the City) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of Ephraim City it is not intended to and does not present the financial position, changes in net position, or cash flows of Ephraim City.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

3. NON-CASH ASSISTANCE

The City did not receive any non-cash assistance

4. LOANS OUTSTANDING

The City has no federal loans outstanding through as of June 30, 2021.

5. DE MINIMIS INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate.