

**Ephraim City**  
Sanpete County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2018



Ephraim City  
**TABLE OF CONTENTS**  
 June 30, 2018

	Beginning on <u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Financial Statements	20
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of the Proportionate Share of the Net Pension Liability	46
Schedule of Contributions (Pensions)	47
Notes to the required supplementary information.	48
<b>SUPPLEMENTARY INFORMATION:</b>	
<b>Combining and Individual Fund Statements and Schedules:</b>	
Combining Statement of Net Position – Non-major Proprietary Funds	50
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Non-major Proprietary Funds	51
Combining Statement of Cash Flows – Non-major Proprietary Funds	52
<b>OTHER REPORTS:</b>	
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 <i>Government Auditing Standards</i>	55
Independent Auditor’s Report on Compliance and on Internal Control Over Compliance as required by the <i>State Compliance Audit Guide</i>	57
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	59
Schedule of Findings and Questioned Costs	61
Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards	65

**Intentionally Left Blank**



## 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, 2018, 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, 2018, 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 Ephraim City's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents, 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 the purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a 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 December 3, 2018 on our consideration of Ephraim City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
Larson & Company, PC

Spanish Fork, Utah  
December 3, 2018

## **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, 2018. 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 \$2,847,437 to \$35,542,567. The governmental net position increased by \$2,315,826 and the business-type net position increased by \$531,611.
- The total net position of \$35,542,567 is made up of \$25,997,423 in capital assets net of related debt and \$9,545,144 in other net positions.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$436,907.

### **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 Utility, Water Utility and Sewer Utility, Solid Waste Utility, 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 Utility, Sewer Utility, and the Electric Utility.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Ephraim City, assets exceed liabilities by \$35,542,567. By far the largest portion of Ephraim City's net position, of \$25,997,423, 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,471,255	\$ 3,859,048	\$ 8,100,038	\$ 8,978,449	\$ 12,571,293	\$ 12,837,497
Capital assets	14,817,163	13,108,798	19,696,394	14,358,037	34,513,557	27,466,835
Deferred outflows of resources	354,055	325,521	279,352	264,263	633,407	589,784
Total assets and deferred outflows of resources	19,642,473	17,293,367	28,075,784	23,600,749	47,718,257	40,894,116
Other liabilities	818,806	649,525	694,268	417,251	1,513,074	1,066,776
Long-term liabilities outstanding	2,240,967	2,583,525	7,962,846	4,405,669	10,203,813	6,989,194
Deferred inflows of resources	284,216	77,659	174,587	65,357	458,803	143,016
Total liabilities and inflows of resources	3,343,989	3,310,709	8,831,701	4,888,277	12,175,690	8,198,986
Net position:						
Invested in capital assets, net of related debt	12,930,293	11,056,462	13,067,130	11,281,823	25,997,423	22,338,285
Restricted	594,724	521,891	1,911,550	1,951,988	2,506,274	2,473,879
Unrestricted	2,773,467	2,404,305	4,265,403	5,478,661	7,038,870	7,882,966
Total net position	<u>\$ 16,298,484</u>	<u>\$ 13,982,658</u>	<u>\$ 19,244,083</u>	<u>\$ 18,712,472</u>	<u>\$ 35,542,567</u>	<u>\$ 32,695,130</u>

## Changes in Net Position:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 491,151	\$ 506,107	\$ 5,796,448	\$ 6,000,749	\$ 6,287,599	\$ 6,506,856
Operating grants and contribs	374,145	411,087	-	-	374,145	411,087
Capital grants and contribs	2,350,630	179,611	216,811	180,452	2,567,441	360,063
General revenues:						
Property taxes	407,657	402,682	-	-	407,657	402,682
Other taxes	2,028,485	1,873,299	-	-	2,028,485	1,873,299
Unrestricted investment earnings	151,371	89,047	33,434	19,545	184,805	108,592
Benefits exp-Change in NPL/NPA	-	-	104,993	144,748	104,993	144,748
Miscellaneous	1,238,652	1,108,130	119,811	87,260	1,358,463	1,195,390
Total revenues	<u>7,042,091</u>	<u>4,569,963</u>	<u>6,271,497</u>	<u>6,432,754</u>	<u>13,313,588</u>	<u>11,002,717</u>
Expenses:						
General government	436,847	1,189,989	-	-	436,847	1,189,989
Public safety	1,232,807	1,094,885	-	-	1,232,807	1,094,885
Highways and pub. improvements	956,267	953,610	-	-	956,267	953,610
Cemetery	103,334	100,822	-	-	103,334	100,822
Parks and recreation	1,784,498	776,374	-	-	1,784,498	776,374
Community & Economic Development	269,139	282,968	-	-	269,139	282,968
Operating Expenses (Business Type)	-	-	5,512,147	5,587,700	5,512,147	5,587,700
Interest Expense	69,208	69,303	101,905	89,880	171,113	159,183
Total expenses	<u>4,852,100</u>	<u>4,467,951</u>	<u>5,614,052</u>	<u>5,677,580</u>	<u>10,466,152</u>	<u>10,145,531</u>
Increase in net position before transfers	2,189,991	102,012	657,445	755,174	2,847,436	857,186
Transfers	125,834	212,834	(125,834)	(212,834)	-	-
Increase in net position	2,315,825	314,846	531,611	542,340	2,847,436	857,186
Net position - beginning	13,982,659	13,667,812	18,712,472	18,170,132	32,695,131	31,837,944
Net position - ending	<u>\$ 16,298,484</u>	<u>\$ 13,982,658</u>	<u>\$ 19,244,083</u>	<u>\$ 18,712,472</u>	<u>\$ 35,542,567</u>	<u>\$ 32,695,130</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, 2018 the City's governmental funds (General, Capital Projects, Special Revenue and Permanent Fund) reported combined fund equity of \$3,755,434. This represents an increase of \$450,217 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 40.87% of total government fund revenues. The largest element of taxes is sales tax, as it has been for the last several years. It represents 69.39% of total tax revenues and represents 28.36% 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 \$5,821,391 to a final budget of \$6,644,545.

## **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, 2018 amounts to \$34,513,557 (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:

Airport improvements	\$1,160,051
General infrastructure	\$1,232,283
General equipment	\$126,139
Water rights	\$4,009,835
Proprietary equipment	\$146,595

Long-term debt - At June 30, 2018 the City had total debt outstanding of \$9,515,683. Of this amount, \$522,109 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 2018, the unemployment rate for Sanpete County is 4.0% compared with a state unemployment rate of 3.30% and a national rate of 4.20%. (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2019 reflects a decrease of 30% from the final budget for the fiscal year ended June 30, 2018.

## **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, 2018

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,165,138	\$ 5,493,504	\$ 8,658,642
Receivables (net of allowance for doubtful accounts):			
Trade accounts	610,024	676,902	1,286,926
Other	2,415	18,009	20,424
Inventory	5,498	1,092,698	1,098,196
Restricted Assets:			
Cash and cash equivalents	688,041	818,852	1,506,893
Capital assets not being depreciated:			
Land	236,139	954,448	1,190,587
Water rights	-	5,791,410	5,791,410
Work in process	1,187,118	2,052,918	3,240,036
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	3,724,395	-	3,724,395
Improvements other than buildings	2,232,054	10,494,155	12,726,209
Equipment	585,894	403,463	989,357
Infrastructure	6,851,563	-	6,851,563
Net pension asset	139	73	212
Deferred outflows of resources related to pension	354,055	279,352	633,407
<b>Total assets and deferred outflows of resources</b>	<b>19,642,473</b>	<b>28,075,784</b>	<b>47,718,257</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Accounts payable	491,906	597,630	1,089,536
Accrued liabilities	128,575	9,689	138,264
Retainage payable	95,201	-	95,201
Compensated absences	103,124	86,949	190,073
Noncurrent Liabilities:			
Net pension liability	354,097	334,033	688,130
Debt due within one year	170,099	352,010	522,109
Debt due in more than one year	1,716,771	7,276,803	8,993,574
<b>Total Liabilities</b>	<b>3,059,773</b>	<b>8,657,114</b>	<b>11,716,887</b>
Deferred inflows of resources related to pension	284,216	174,587	458,803
<b>Total liabilities and deferred inflows of resources</b>	<b>3,343,989</b>	<b>8,831,701</b>	<b>12,175,690</b>
<b>NET POSITION</b>			
Net investment in capital assets	12,930,293	13,067,130	25,997,423
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	226,878	-	226,878
Debt Service	182,080	-	182,080
Bond requirements	-	757,219	757,219
Impact fees	126,437	61,633	188,070
Inventory	-	1,092,698	1,092,698
Class C Roads	40,000	-	40,000
Unrestricted	2,773,467	4,265,403	7,038,870
<b>Total net position</b>	<b>\$ 16,298,484</b>	<b>\$ 19,244,083</b>	<b>\$ 35,542,567</b>

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

**EPHRAIM CITY**  
**Statement of Activities**  
For the year ended June 30, 2018

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 436,847	\$ 70,566	\$ 18,447	\$ 1,080	\$ (346,754)	\$ -	\$ (346,754)
Public safety	1,232,807	133,778	64,501	5,355	(1,029,173)	-	(1,029,173)
Highways and public improvements	956,267	-	279,197	1,067,867	390,797	-	390,797
Cemetery	103,334	-	-	-	(103,334)	-	(103,334)
Parks, recreation, and public property	1,784,498	286,787	12,000	1,276,328	(209,383)	-	(209,383)
Community and economic development	269,139	20	-	-	(269,119)	-	(269,119)
Interest	69,208	-	-	-	(69,208)	-	(69,208)
<b>Total Governmental Activities</b>	<b>4,852,100</b>	<b>491,151</b>	<b>374,145</b>	<b>2,350,630</b>	<b>(1,636,174)</b>	<b>-</b>	<b>(1,636,174)</b>
Business-type Activities:							
Water	799,748	942,880	-	197,992	-	341,124	341,124
Sewer	779,124	791,815	-	18,819	-	31,510	31,510
Electric	3,335,235	3,481,910	-	-	-	146,675	146,675
Housing authority	417,004	393,393	-	-	-	(23,611)	(23,611)
Solid waste	169,716	186,450	-	-	-	16,734	16,734
Rodeo grounds	8,232	-	-	-	-	(8,232)	(8,232)
<b>Total Business-type Activities</b>	<b>5,509,059</b>	<b>5,796,448</b>	<b>-</b>	<b>216,811</b>	<b>-</b>	<b>504,200</b>	<b>504,200</b>
<b>Total Primary Government</b>	<b>\$ 10,361,159</b>	<b>\$ 6,287,599</b>	<b>\$ 374,145</b>	<b>\$ 2,567,441</b>	<b>(1,636,174)</b>	<b>504,200</b>	<b>(1,131,974)</b>
General Revenues:							
Property taxes					407,657	-	407,657
Sales taxes					1,690,552	-	1,690,552
Franchise taxes					337,933	-	337,933
Unrestricted investment earnings					151,371	33,434	184,805
Administrative costs					857,012	-	857,012
Fee in lieu of taxes					188,303	-	188,303
Miscellaneous					193,337	119,811	313,148
Transfers					125,834	(125,834)	-
<b>Total General Revenues and Transfers</b>					<b>3,951,999</b>	<b>27,411</b>	<b>3,979,410</b>
Change in Net Assets					2,315,825	531,611	2,847,436
Net Position - Beginning					13,982,659	18,712,472	32,695,131
Net Position - Ending					<b>\$ 16,298,484</b>	<b>\$ 19,244,083</b>	<b>\$ 35,542,567</b>

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, 2018

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,372,093	\$ 1,793,045	\$ -	\$ 3,165,138.23
Accounts Receivable:				
Trade accounts (net of allowance)	610,024	-	-	610,024
Other	-	531	1,884	2,415
Inventory	5,498	-	-	5,498
Restricted assets:				
Cash and cash equivalents	259,754	408,958	19,329	688,041
Total Assets	<u>2,247,369</u>	<u>2,202,534</u>	<u>21,213</u>	<u>4,471,116</u>
<b>LIABILITIES AND DEFERRED</b>				
<b>INFLOW OF RESOURCES</b>				
Liabilities:				
Accounts payable	491,906	-	-	491,906
Accrued liabilities	91,226	37,349	-	128,575
Retainage payable	93,317	-	1,884	95,201
Total Liabilities	<u>676,449</u>	<u>37,349</u>	<u>1,884</u>	<u>715,682</u>
<b>TOTAL LIABILITIES AND DEFERRED</b>				
<b>INFLOWS OF RESOURCES</b>	<u>676,449</u>	<u>37,349</u>	<u>1,884</u>	<u>715,682</u>
<b>FUND BALANCES</b>				
Restricted for:				
Special Improvement agency	-	-	19,329	19,329
Perpetual care	-	226,878	-	226,878
Impact fees	126,437	-	-	126,437
Class C Roads	40,000	-	-	40,000
Debt Service	-	182,080	-	182,080
Assigned for:				
Community activities	15,888	-	-	15,888
Public equip/improve	33,726	-	-	33,726
Capital projects	-	1,756,227	-	1,756,227
Airport	261,283	-	-	261,283
Unassigned	1,093,586	-	-	1,093,586
Total Fund Balances	<u>1,570,920</u>	<u>2,165,185</u>	<u>19,329</u>	<u>3,755,434</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF</b>				
<b>RESOURCES AND FUND BALANCES</b>	<u>\$ 2,247,369</u>	<u>\$ 2,202,534</u>	<u>\$ 21,213</u>	<u>\$ 4,471,116</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, 2018

---

Total fund balances - governmental fund types:	<u>\$ 3,755,434</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.	14,817,163
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,344,091)
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	354,055
Deferred inflows	(284,216)
Net position of government activities:	<u><u>\$ 16,298,484</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, 2018

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,436,142	\$ -	\$ -	\$ 2,436,142
Licenses and permits	25,713	-	-	25,713
Intergovernmental revenues	1,642,823	-	-	1,642,823
Charges for services	331,640	-	20	331,660
Fines and forfeitures	133,778	-	-	133,778
Interest income	144,223	7,148	-	151,371
Administration	857,012	-	-	857,012
In lieu of taxes	188,303	-	-	188,303
Miscellaneous	180,852	12,485	-	193,337
Total Revenues	<u>5,940,486</u>	<u>19,633</u>	<u>20</u>	<u>5,960,139</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,421,237	6,610	-	1,427,847
Public safety	1,186,546	-	-	1,186,546
Highways and public improvements	867,775	-	-	867,775
Parks, recreation, and public property	1,597,195	-	-	1,597,195
Community and economic development	265,277	-	-	265,277
Cemetery	85,827	-	-	85,827
Debt Service:				
Principal	-	165,464	-	165,464
Interest	-	69,210	-	69,210
Total Expenditures	<u>5,423,857</u>	<u>241,284</u>	<u>-</u>	<u>5,665,141</u>
Excess Revenues Over (Under) Expenditures	<u>516,629</u>	<u>(221,651)</u>	<u>20</u>	<u>294,998</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	239,971	337,078	-	577,049
Transfers out	(349,078)	(102,137)	-	(451,215)
Impact fees	29,385	-	-	29,385
Total Other Financing Sources and Uses	<u>(79,722)</u>	<u>234,941</u>	<u>-</u>	<u>155,219</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>436,907</u>	<u>13,290</u>	<u>20</u>	<u>450,217</u>
Fund Balances - Beginning	1,134,013	2,151,895	19,309	3,305,217
Fund Balances - Ending	<u>\$ 1,570,920</u>	<u>\$ 2,165,185</u>	<u>\$ 19,329</u>	<u>\$ 3,755,434</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, 2018

---

Net changes in fund balances - total governmental funds:	<u>\$ 450,217</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.	655,802
The net effect of various miscellaneous transactions involving donated capital asset is to increase net position	1,052,567
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.	165,463
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	(7,432)
The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	(792)
Change in net position of governmental activities:	<u><u>\$ 2,315,825</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,273,010	\$ 2,428,010	\$ 2,436,142	\$ 8,132
Licenses and permits	17,000	17,000	25,713	8,713
Intergovernmental revenues	1,595,231	423,152	1,642,823	1,219,671
Charges for services	315,200	322,200	331,640	9,440
Fines and forfeitures	155,000	129,000	133,778	4,778
Interest income	51,000	136,000	144,223	8,223
Administrative	857,012	857,012	857,012	-
In lieu of taxes	188,303	188,303	188,303	-
Miscellaneous	218,476	250,976	180,852	(70,124)
Total Revenues	<u>5,670,232</u>	<u>4,751,653</u>	<u>5,940,486</u>	<u>1,188,833</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,536,522	2,145,676	1,421,237	(724,439)
Public safety	1,274,981	1,326,481	1,186,546	(139,935)
Highways and public improvements	868,656	1,009,156	867,775	(141,381)
Cemetery	67,269	92,269	85,827	(6,442)
Airport	1,272,800	1,272,800	1,174,147	(98,653)
Parks, recreation, and public property	486,672	502,672	423,048	(79,624)
Community and economic development	314,491	295,491	265,277	(30,214)
Total Expenditures	<u>5,821,391</u>	<u>6,644,545</u>	<u>5,423,857</u>	<u>(1,220,688)</u>
Excess Revenues Over (Under)				
Expenditures	<u>(151,159)</u>	<u>(1,892,892)</u>	<u>516,629</u>	<u>2,409,521</u>
<b>Other financing sources (uses)</b>				
Transfers in	467,168	1,175,700	239,971	(935,729)
Impact fees	(15,700)	(18,700)	29,385	48,085
Total Other Financing Sources and Uses	<u>202,390</u>	<u>107,922</u>	<u>(79,722)</u>	<u>(187,644)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>51,231</u>	<u>(1,784,970)</u>	<u>436,907</u>	<u>2,221,877</u>
Fund Balances - Beginning			<u>1,134,013</u>	
Fund Balances - Ending			<u>\$ 1,570,920</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, 2018

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Electric	Other Proprietary (Non-Major)	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 620,424	\$ 394,911	\$ 3,881,190	\$ 596,979	\$ 5,493,504
Accounts Receivable:					
Utilities receivable	250,082	75,726	328,273	27,297	681,378
Allowance for doubtful accounts	(1,067)	(212)	(3,021)	(176)	(4,476)
Other receivables	340	50	50	17,569	18,009
Inventory - at cost	146,641	13,821	221,389	710,847	1,092,698
Restricted Assets:					
Restricted cash and cash equivalents	277,225	541,627	-	-	818,852
<b>Total Current Assets</b>	<b>1,293,645</b>	<b>1,025,923</b>	<b>4,427,881</b>	<b>1,352,516</b>	<b>8,099,965</b>
Noncurrent Assets					
Land	578,265	376,183	-	-	954,448
Construction-in-progress	946,530	8,855	1,097,533	-	2,052,918
Improvements other than buildings	4,980,677	5,676,898	8,195,599	231,708	19,084,882
Less: accumulated depreciation	(2,919,454)	(1,508,328)	(4,103,411)	(59,534)	(8,590,727)
Machinery and equipment	664,329	427,605	1,419,386	129,372	2,640,692
Less: accumulated depreciation	(599,640)	(366,022)	(1,185,139)	(86,428)	(2,237,229)
Water rights	5,791,410	-	-	-	5,791,410
Net pension asset	19	40	14	-	73
<b>Total Noncurrent Assets</b>	<b>9,442,136</b>	<b>4,615,231</b>	<b>5,423,982</b>	<b>215,118</b>	<b>19,696,467</b>
Deferred outflow of resources	65,334	65,485	148,533	-	279,352
<b>Total Assets and Deferred Outflow of Resources</b>	<b>10,801,115</b>	<b>5,706,639</b>	<b>10,000,396</b>	<b>1,567,634</b>	<b>28,075,784</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	118,987	40,523	303,806	134,314	597,630
Accrued liabilities	2,263	1,756	5,670	-	9,689
Compensated absences	21,516	15,944	49,489	-	86,949
Current portion of bonds payable	198,730	140,000	13,280	-	352,010
<b>Total Current Liabilities</b>	<b>341,496</b>	<b>198,223</b>	<b>372,245</b>	<b>134,314</b>	<b>1,046,278</b>
Noncurrent Liabilities:					
Bonds and loans payable	3,955,020	2,553,983	525,470	242,330	7,276,803
Net pension liability	74,996	41,205	217,832	-	334,033
<b>Total Noncurrent Liabilities</b>	<b>4,030,016</b>	<b>2,595,188</b>	<b>743,302</b>	<b>242,330</b>	<b>7,610,836</b>
Deferred Inflows of Resources	43,620	74,069	56,898	-	174,587
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>4,415,132</b>	<b>2,867,480</b>	<b>1,172,445</b>	<b>376,644</b>	<b>8,831,701</b>
<b>NET POSITION</b>					
Net investment in capital assets	5,551,345	2,415,449	4,885,218	215,118	13,067,130
Retained Earnings					
Restricted for:					
Bond requirements	262,978	494,241	-	-	757,219
Impact fees	14,247	47,386	-	-	61,633
Inventory	146,641	13,821	221,389	710,847	1,092,698
Unrestricted	410,772	(131,738)	3,721,344	265,025	4,265,403
<b>Total Net Position</b>	<b>\$ 6,385,983</b>	<b>\$ 2,839,159</b>	<b>\$ 8,827,951</b>	<b>\$ 1,190,990</b>	<b>\$ 19,244,083</b>

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, 2018

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Electric	Other Proprietary	
<b>Operating Revenues:</b>					
Charges for sales and services	\$ 942,880	\$ 791,815	\$ 3,481,910	\$ 579,843	\$ 5,796,448
Grants	133,188	-	-	-	133,188
Miscellaneous	18,165	9,000	92,646	-	119,811
Total Operating Revenues	<u>1,094,233</u>	<u>800,815</u>	<u>3,574,556</u>	<u>579,843</u>	<u>6,049,447</u>
<b>Operating Expenses:</b>					
Salaries and wages	146,485	123,680	352,816	4,352	627,333
Employee benefits	84,367	79,991	206,167	446	370,971
Power purchases	-	-	1,629,034	-	1,629,034
Administrative costs	172,286	126,999	527,518	27,709	854,512
Materials and supplies	49,343	12,081	134,479	-	195,903
Repairs and maintenance	10,276	10,788	25,238	-	46,302
Depreciation	173,901	148,388	208,228	9,300	539,817
Service in lieu of taxes	62,860	62,614	1,307	268	127,049
Insurance	18,727	4,798	20,420	984	44,929
Professional services	26,984	22,667	14,734	3,043	67,428
Utilities and telephone	6,665	106,067	13,295	-	126,027
Travel and training	4,657	109	9,901	-	14,667
Landfill costs	-	-	-	56,938	56,938
Leases & rents	5,373	3,000	-	-	8,373
Collection costs	-	-	-	80,903	80,903
Miscellaneous	7,657	17,238	180,645	411,009	616,549
Total Operating Expenses	<u>769,581</u>	<u>718,420</u>	<u>3,323,782</u>	<u>594,952</u>	<u>5,406,735</u>
Operating Income	<u>324,652</u>	<u>82,395</u>	<u>250,774</u>	<u>(15,109)</u>	<u>642,712</u>
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	7,180	7,813	10,989	7,452	33,434
Interest expense	(30,058)	(60,474)	(11,373)	-	(101,905)
Pension exp-Actuarial calc (GASB 68)	(27,427)	(57,811)	(20,174)	-	(105,412)
Benefits exp-Change in NPL/NPA (GASB 68)	27,318	57,581	20,094	-	104,993
Impact fees	64,804	18,819	-	-	83,623
Total Nonoperating Revenues (Expenses)	<u>41,817</u>	<u>(34,072)</u>	<u>(464)</u>	<u>7,452</u>	<u>14,733</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	3,718	101,822	30,661	-	136,201
Operating transfers out	(120,799)	(2,592)	(138,644)	-	(262,035)
Total Other Financing Sources (Uses)	<u>(117,081)</u>	<u>99,230</u>	<u>(107,983)</u>	<u>-</u>	<u>(125,834)</u>
Net Income (Loss)	<u>249,388</u>	<u>147,553</u>	<u>142,327</u>	<u>(7,657)</u>	<u>531,611</u>
Change in Net Position	<u>249,388</u>	<u>147,553</u>	<u>142,327</u>	<u>(7,657)</u>	<u>531,611</u>
Total Net Position - Beginning	6,136,595	2,691,606	8,685,624	1,198,647	18,712,472
Total Net Position - Ending	<u>\$ 6,385,983</u>	<u>\$ 2,839,159</u>	<u>\$ 8,827,951</u>	<u>\$ 1,190,990</u>	<u>\$ 19,244,083</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, 2018

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non-major Proprietary	Total
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 864,576	\$ 873,758	\$ 3,446,979	\$ 578,727	\$ 5,764,040
Other cash receipts	18,165	9,000	92,646	-	119,811
Grant funds received	133,188	-	-	-	133,188
Payments to suppliers	(297,809)	(367,374)	(2,506,328)	(520,904)	(3,692,415)
Payments to employees	(230,359)	(202,866)	(547,579)	(4,798)	(985,602)
Net cash provided (used) by operating activities	<b>487,761</b>	<b>312,518</b>	<b>485,718</b>	<b>53,025</b>	<b>1,339,022</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>					
Operating transfers in	3,718	101,822	30,661	-	136,201
Operating transfers out	(120,799)	(2,592)	(138,644)	-	(262,035)
Net cash provided (used) by non-capital and related financing activities	<b>(117,081)</b>	<b>99,230</b>	<b>(107,983)</b>	<b>-</b>	<b>(125,834)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(4,746,670)	(18,040)	(1,088,782)	(24,685)	(5,878,177)
Principal paid on capital debt	(1,107,000)	(229,710)	-	(54,962)	(1,391,672)
Proceeds from long term debt	4,503,750	-	538,750	-	5,042,500
Collection of impact fees	64,804	18,819	-	-	83,623
Interest paid on capital debt	(30,058)	(60,474)	(11,373)	-	(101,905)
Net cash provided (used) by capital and related financing activities	<b>(1,315,174)</b>	<b>(289,405)</b>	<b>(561,405)</b>	<b>(79,647)</b>	<b>(2,245,631)</b>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	7,180	7,813	10,989	7,452	33,434
Net cash provided (used) by investing activities	<b>7,180</b>	<b>7,813</b>	<b>10,989</b>	<b>7,452</b>	<b>33,434</b>
Net increase (decrease) in cash and cash equivalents	(937,314)	130,156	(172,681)	(19,170)	(999,009)
Cash and cash equivalents, July 1	1,834,963	806,382	4,053,871	616,149	7,311,365
Cash and cash equivalents, June 30	<b>\$ 897,649</b>	<b>\$ 936,538</b>	<b>\$ 3,881,190</b>	<b>\$ 596,979</b>	<b>\$ 6,312,356</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 324,652	\$ 82,395	\$ 250,774	\$ (15,109)	\$ 642,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	173,901	148,388	208,228	9,300	539,817
(Increase) decrease in accounts receivable	(78,304)	81,943	(34,931)	(1,116)	(32,408)
(Increase) decrease in inventories	(14,355)	553	(12,329)	(61,985)	(88,116)
Increase (decrease) in payables	81,374	(1,566)	62,572	121,935	264,315
Increase (decrease) in accrued liabilities	239	184	597	-	1,020
Increase (decrease) in compensated absences	254	621	10,807	-	11,682
Total adjustments	163,109	230,123	234,944	68,134	696,310
Net cash provided (used) by operating activities	<b>\$ 487,761</b>	<b>\$ 312,518</b>	<b>\$ 485,718</b>	<b>\$ 53,025</b>	<b>\$ 1,339,022</b>

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, 2018

---

INDEX

- NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- A. Financial Reporting Entity
  - B. Basis of Presentation
  - C. Measurement Focus and Basis of Accounting
  - D. Assets, Liabilities, and Equity
  - E. Revenues, Expenditures, and Expenses
  - F. Pensions
- NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
- A. Fund Accounting Requirements
  - B. Deposits and Investments Laws and Regulations
  - C. Revenue Restrictions
  - D. Debt Restrictions and Covenants
  - E. Fund Equity Restrictions
  - F. Budgetary Basis of Accounting
- NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS
- A. Cash and Investments
  - B. Restricted Assets
  - C. Accounts Receivable
  - D. Capital Assets
  - E. Accounts Payable
  - F. Long-term Debt
  - G. Interfund Transactions and Balances
  - H. Fund Equity
- NOTE 4. OTHER NOTES
- A. Employee Pension and Other Benefit Plans
  - B. Risk Management
  - C. Subsequent Events
  - D. Electrical Power Purchase Agreements
  - E. Rounding Convention



# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1.A. FINANCIAL REPORTING ENTITY

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

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

The City's financial reporting entity comprises the following:

Primary Government:	City of Ephraim
Component Units:	None

#### 1.B. BASIS OF PRESENTATION

##### ***Government-wide Financial Statements:***

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

##### ***Fund Financial Statements:***

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

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

- 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:

<b><i>Fund</i></b>	<b><i>Brief Description</i></b>
<b>Major:</b>	
General	See above for description.
Capital Projects Fund	See above for description.
<b>Enterprise Funds:</b>	
Water, Sewer, and Electric Funds	Accounts for revenues and expenditures of water, sewer and electric utilities.

# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

---

### 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, Rodeo Grounds, and the Housing Authority 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.

# **EPHRAIM CITY**

## **Notes to the Financial Statements**

For the Year Ended June 30, 2018

---

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**Fixed Assets**

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

**Government-wide Statements**

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

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

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

**Fund Financial Statements**

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

**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.

# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

---

### Long-term Debt

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

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

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

### Compensated Absences

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

### Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so it will not be recognized as an inflow of resources (revenue) until then.

### Equity Classifications

#### Government-wide Statements

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

- 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.

# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

---

- c. Unrestricted net position—All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### Fund Statements

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

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

### Use of Net Position

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

### 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.

# **EPHRAIM CITY**

## **Notes to the Financial Statements**

For the Year Ended June 30, 2018

---

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

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

### **Operating Revenues and Expenses**

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

### **Expenditures/Expenses**

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

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

Governmental Funds—By Character:

    Current (further classified by function)

    Debt Service

    Capital Outlay

Proprietary Fund—By Operating and Non-operating

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

Proprietary funds report expenses relating to use of economic resources.

### **Interfund Transfers**

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

### **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.



# **EPHRAIM CITY**

## **Notes to the Financial Statements**

For the Year Ended June 30, 2018

---

### **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

#### **2.A. FUND ACCOUNTING REQUIREMENTS**

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

#### **2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

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

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

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

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

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

---

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

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1 – Quoted prices for identical investments in active markets; Level 2 – Observable inputs other than quoted market prices; and Level 3 – Unobservable inputs. All investments are with the PTIF, which uses a Level 2 fair value measurement.

**2.C. REVENUE RESTRICTIONS**

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

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

For the year ended June 30, 2018, 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, 2018, the City had \$830,000 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, 2018, the City had \$8,685,685 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

# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

---

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, 2018.

Requirement	Level of Compliance
a. Bonds Payable Coverage:	
	The scheduled payments of the water bond issued in May of 2013 are to be obtained from the operating revenues of the Water Fund. There are no other restrictions or reserve requirements specified for this debt.
b. Reserve Account Requirement:	
	Various escrows are set up as reserves to make the annual debt payments. Minimum balances are required to be kept in each of the escrows.

### 2.E. FUND EQUITY RESTRICTIONS

#### Deficit Prohibition

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

### 2.F. BUDGETARY BASIS OF ACCOUNTING

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

**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, 2018, the City’s custodial credit risk for deposits is as follows:

	<b>Custodial Credit Risk</b>	<b>Balance June 30, 2018</b>
<b>Depository Accounts:</b>	Insured	\$ 333,507
	Uninsured and uncollateralized	338,896
<b>Total Depository Accounts</b>		<b>\$ 672,403</b>

**Investments**

As of June 30, 2018 the government had the following investments and maturities:

	<b>Fair Value</b>	<b>Investment Maturity in Years</b>		
		Less Than 1	1-5	More Than 5
Investment in Public				
Treasurers' Investment Fund	\$ 9,511,331	\$ 9,511,331		
<b>Total Fair Value</b>	<b>\$ 9,511,331</b>	<b>\$ 9,511,331</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

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		\$	9,511,331
Deposits			654,204
	Total	\$	<u><u>10,165,535</u></u>

Per Statement of Net Position

Unrestricted Cash		\$	8,658,642
Restricted Cash			1,506,893
	Total	\$	<u><u>10,165,535</u></u>

**3.B. RESTRICTED ASSETS**

The restricted assets as of June 30, 2018, are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
<i>Business-Type Activities:</i>				
Bond Requirements	\$ 757,219	\$ -	\$ -	\$ 757,219
Impact Fees	61,633	-	-	61,633
Total	<u>818,852</u>	<u>-</u>	<u>-</u>	<u>818,852</u>
<i>Governmental Activities:</i>				
Retainage Payable	93,317	-	-	93,317
Special Improvement Agency	19,329	-	-	19,329
Perpetual care	226,878	-	-	226,878
Debt Service	182,080	-	-	182,080
Impact Fees	126,437	-	-	126,437
Class C Roads	40,000	-	-	40,000
Total	<u>688,041</u>	<u>-</u>	<u>-</u>	<u>688,041</u>
<b>Grand Totals</b>	<b>\$ <u>1,506,893</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,506,893</u></b>

**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	\$ 610,024	\$ 681,378	\$ 1,291,402
Special Assessments	1,884	-	1,884
Housing Authority	-	17,569	17,569
Other	531	440	971
Allowance for Doubtful Accounts	-	(4,476)	(4,476)
<b>Net Accounts Receivable</b>	<b>\$ <u>612,439</u></b>	<b>\$ <u>694,911</u></b>	<b>\$ <u>1,307,350</u></b>

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Disposals/Transfers</u>	<u>Balance at June 30, 2018</u>
<b>Governmental Activities:</b>				
Land	\$ 216,039	\$ -	\$ -	\$ 216,039
Impact Fees - Street Facilities	20,100	-	-	20,100
Buildings	5,948,508	-	-	5,948,508
Improvements	3,316,936	1,196,883	-	4,513,819
Machinery and Equipment	1,894,690	126,039	-	2,020,729
Infrastructure	13,477,989	1,232,283	-	14,710,272
Work in Progress	27,067	-	-	27,067
<b>Totals at historical cost</b>	<u>24,901,329</u>	<u>2,555,205</u>	<u>-</u>	<u>27,456,534</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(2,082,639)	(141,473)	-	(2,224,112)
Improvements	(887,088)	(98,558)	-	(985,646)
Machinery and Equipment	(1,298,973)	(135,863)	-	(1,434,836)
Infrastructure	(7,523,833)	(470,944)	-	(7,994,777)
<b>Total Accum. Depreciation</b>	<u>(11,792,533)</u>	<u>(846,838)</u>	<u>-</u>	<u>(12,639,371)</u>
<b>Governmental Activities capital assets, net</b>	<u>\$ 13,108,796</u>	<u>\$ 1,708,367</u>	<u>\$ -</u>	<u>\$ 14,817,163</u>
<b>Business-type Activities:</b>				
Land	\$ 376,183	\$ 519,600	\$ -	\$ 895,783
Building and Improvements	18,821,516	30,861	-	18,852,377
Machinery and Equipment	2,517,612	162,625	-	2,680,237
Water Rights	1,781,575	3,490,235	-	5,271,810
Impact fee assets	732,411	-	-	732,411
Work in Progress	416,879	1,674,852	-	2,091,731
<b>Totals at historical cost</b>	<u>24,646,176</u>	<u>5,878,173</u>	<u>-</u>	<u>30,524,349</u>
<b>Less Accumulated Depreciation:</b>				
Building and Improvements	(8,175,165)	(454,403)	-	(8,629,568)
Machinery and Equipment	(2,112,972)	(85,415)	-	(2,198,387)
<b>Total Accum. Depreciation</b>	<u>(10,288,137)</u>	<u>(539,818)</u>	<u>-</u>	<u>(10,827,955)</u>
<b>Business-type Activities capital assets, net</b>	<u>\$ 14,358,039</u>	<u>\$ 5,338,355</u>	<u>\$ -</u>	<u>\$ 19,696,394</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 160,827
Public safety	76,383
Highways and public improvements	204,344
Parks, recreation and public property	383,005
Community and economic development	3,862
Cemetery	18,417
<b>Total depreciation expense</b>	<u>\$ 846,838</u>

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

**3.E. ACCOUNTS PAYABLE**

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

**3.F. LONG-TERM DEBT**

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

***Governmental Activities:***

As of June 30, 2018, the City had \$1,989,994 in governmental long-term-debt:

<b><i>Governmental:</i></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Library Bonds, Series 2007		
Original Principal \$1,120,000 @ 2.5%	653,000	605,000
Public Safety Bonds, Series 2000		
Original Principal \$670,000 @ 2.5%	190,000	153,000
City Office Notes, Series 2001		
Original Principal \$1,925,000 @ 3.85%	1,131,334	1,056,870
Building Authority, Series 2005		
Original Principal \$141,000 @ 0%	78,000	72,000
	<u>2,052,334</u>	<u>1,886,870</u>
Compensated Absences	95,692	103,124
Total Governmental Long-Term Debt	<b><u>\$ 2,148,026</u></b>	<b><u>\$ 1,989,994</u></b>

***Business-type Activities:***

As of June 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

<b><i>Business:</i></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Notes Payable & Revenue Bonds:		
2013 Water Revenue Bonds		
Original Principal \$1,217,000 @ 1.15%	\$ 757,000	\$ -
2014 Utah Waste Water Expansion Bonds		
Original Principal \$2,583,000 @ 2.00%	2,553,000	2,458,289
1993 Sewer Bonds- Series C		
Original Principal \$1,307,000 @ 5.45%	370,695	235,695
2014 Housing Authority- Olene Walker Loan		
Original Principal \$517,142	297,293	242,331
2018 Nielsen Note Payable		
Original Principal \$3,965,000 @ 2%	-	3,615,000
2018 Ephriam Irrigation Note Payable		
Original Principal \$1,077,500	-	1,077,498
	<u>3,977,988</u>	<u>7,628,813</u>
Compensated Absences	83,936	86,949
Total Governmental Long-Term Debt	<b><u>\$ 4,061,924</u></b>	<b><u>\$ 7,715,762</u></b>

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

***Changes in Long-term Debt***

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

Type of Debt	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities:</b>				
Compensated Absences	\$ 95,692	\$ 7,432	\$ -	\$ 103,124
Bonds Payable	2,052,334	-	(165,464)	1,886,870
Total Governmental Debt	<b>2,148,026</b>	<b>7,432</b>	<b>(165,464)</b>	<b>1,989,994</b>
<b>Business-type Activities:</b>				
Compensated Absences	75,267	11,682	-	86,949
Revenue Bonds/Notes Payable	3,977,986	5,042,500	(1,391,673)	7,628,813
Total Business-type Debt	<b>\$ 4,053,253</b>	<b>\$ 5,054,182</b>	<b>\$ (1,391,673)</b>	<b>\$ 7,715,762</b>

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, 2018, are as follows:

Year Ending June 30,	Business-Type		Governmental	
	Principal	Interest	Principal	Interest
2019	\$ 378,570	\$ 149,477	\$ 170,101	\$ 67,231
2020	336,066	142,637	175,815	62,177
2021	364,625	134,384	180,612	56,930
2022	529,529	130,427	185,493	51,514
2023	421,521	122,226	150,464	45,913
2024-2028	2,219,012	482,314	548,321	161,199
2029-2033	2,447,020	251,327	403,695	69,415
2034-2038	500,317	66,825	72,369	3,438
2039-2043	205,390	35,163	-	-
2044-2048	226,763	13,785	-	-
Total	<b>\$ 7,628,813</b>	<b>\$ 1,528,565</b>	<b>\$ 1,886,870</b>	<b>\$ 517,817</b>



**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

**3.G. INTER-FUND TRANSACTIONS AND BALANCES**

Operating Transfers

The City had the following inter-fund transactions for the year ended June 30, 2018.

	<u>Transfer to</u>	<u>Transfer from</u>
Transfer to/from General Fund	227,971	349,078
Transfer to Building Authority Fund	237,078	-
Transfer to/from Equip/Bldg Cap Proj Fund	100,000	102,137
Transfer to/from Water Fund	3,718	120,799
Transfer to/from Sewer Fund	101,822	2,592
Transfer from Electric Fund	30,661	138,644
Transfer to Airport Fund	12,000	-
	<u>\$ 713,250</u>	<u>\$ 713,250</u>

**3.H. FUND EQUITY**

Restricted Fund Equity

**NET POSITION**

Net investment in capital assets	12,930,293	13,067,130	25,997,423
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	226,878	-	226,878
Debt Service	182,080	-	182,080
Bond requirements	-	757,219	757,219
Impact fees	126,437	61,633	188,070
Inventory	-	1,092,698	1,092,698
Class C Roads	40,000	-	40,000
Unrestricted	2,773,467	4,265,403	7,038,870
Total net position	<u>\$ 16,298,484</u>	<u>\$ 19,244,083</u>	<u>\$ 35,542,567</u>

**NOTE 4. OTHER NOTES**

**4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

***General Information about the Pension Plan***

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

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

# EPHRAIM CITY

## Notes to the Financial Statements

For the Year Ended June 30, 2018

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

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

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

Summary of Benefits by System

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

\* with actuarial reductions

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

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	15.11	1.58
Noncontributory System				
15-Local Government Division Tier - 1	N/A	N/A	18.47	N/A
Public Safety Retirement System				
Contributory				
122-Tier 2 DB Hybrid Public Safety	N/A	N/A	22.57	1.26
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	12.00

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, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$162,833	N/A
Public Safety System	85,140	-
Tier 2 Public Employees System	43,915	-
Tier 2 Public Safety and Firefighter	9,133	-
Tier 2 DC Only System	2,546	N/A
<b>Total Contributions</b>	<b>\$303,566</b>	<b>\$ -</b>

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.

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

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

At June 30, 2018, we reported a net pension asset of \$212 and a net pension liability of \$688,131.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share June 30, 2016	Change (Decrease)
Noncontributory System	\$ -	\$ 458,956	0.1047535%	0.1003659%	0.0043876%
Public Safety System	-	226,752	0.1445514%	0.1535813%	(0.0090299)%
Tier 2 Public Employees System	-	2,423	0.0274776%	0.0245557%	0.0029219%
Tier 2 Public Safety and Fire Fighter System	212	-	0.0183082%	0.0000000%	0.0183082%
	<u>\$ 212</u>	<u>\$ 688,131</u>			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018. We recognized pension expense of \$304,748.

At June 30, 2018, 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	\$ 10,440	\$ 63,614
Changes in assumptions	252,077	14,111
Net difference between projected and actual earnings on pension plan investments	140,419	368,136
Changes in proportion and differences between contributions and proportionate share of contributions	71,408	12,942
Contributions subsequent to the measurement date	159,063	-
Total	<u>\$ 633,407</u>	<u>\$ 458,803</u>

\$159,063 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, 2017.

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

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:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2018	\$ 65,722
2019	73,915
2020	(47,042)
2021	(79,972)
2022	(477)
Thereafter	3,876

Actuarial assumptions: The total pension liability in the December 31, 2017, 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 developed from actual experience and mortality tables, based on gender, occupation and age, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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 table on the following page:

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

The 6.950% 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 was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

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	\$ 1,241,234	\$ 458,956	\$ (191,468)
Public Safety System	571,312	226,752	(52,511)
Tier 2 Public Employees System	28,525	2,423	(17,706)
Tier 2 Public Safety and Firefighter	1,876	(212)	(1,807)
	\$1,842,947	\$687,919	(\$263,492)

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

**EPHRAIM CITY**  
**Notes to the Financial Statements**  
For the Year Ended June 30, 2018

**Defined Contribution Savings Plans**

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

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

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>401(k) Plan</b>			
Employer Contributions	\$82,280	\$95,784	\$72,332
Employee Contributions	\$54,761	\$46,417	\$37,871
<b>457 Plan</b>			
Employer Contributions	\$0	\$13,380	\$9,693
Employee Contributions	\$819	\$814	\$694
<b>Roth IRA Plan</b>			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$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**

Subsequent events were evaluated through December 3, 2018, which is the date that the financial statements were available to be issued.

**4.D. ELECTRICAL POWER PURCHASE AGREEMENTS**

**Utah Associated Municipal Power Systems (UAMPS)**

Ephraim City is a member of Utah Associated Municipal Power Systems (UAMPS), a separate legal entity and political subdivision of the State of Utah, which was formed pursuant to the provision of the interlocal Cooperation Act. UAMPS' membership consists of 45 public power utilities which agreed to purchase the electrical power produced by UAMPS. UAMPS was formed to plan, finance, develop, acquire, construct, improve, operate, or maintain projects for the generation, transmission, and distribution of electric energy for the benefit of its members. In order for UAMPS to issue the bonds to

# **EPHRAIM CITY**

## **Notes to the Financial Statements**

For the Year Ended June 30, 2018

---

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.



**Required Supplementary Information  
(Unaudited)**

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

As of fiscal year ended June 30,	Noncontributory System	Public Safety System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighter Retirement
Proportion of the net pension liability (asset):	0.1047535%	0.1445514%	0.0274776%	0.0183082%
2018	0.1003659%	0.1535813%	0.0245557%	0.0000000%
2017	0.0909519%	0.1122023%	0.0215828%	0.0339561%
2016	\$ 458,956	\$ 226,752	\$ 2,423	\$ (212)
Proportionate share of the net pension liability (asset):	644,472	311,659	2,739	-
2018	514,650	200,983	(47)	(496)
2017	\$ 862,737	\$ 283,954	\$ 268,860	\$ 19,267
2016	843,010	324,007	201,376	-
Covered Employee Payroll:	749,343	239,246	139,429	20,160
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	53.20%	79.86%	0.90%	-1.10%
2018	76.45%	96.19%	1.36%	0.00%
2017	68.68%	84.01%	-0.03%	-2.46%
2016	91.9%	90.2%	97.4%	103.0%
Plan fiduciary net position as a percentage of its covered-employee payroll:	87.3%	86.5%	95.1%	103.6%
2018	87.8%	87.1%	100.2%	110.7%
2017				
2016				

\* 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 three years.

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

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory System</b>						
	2015	\$ 134,236	\$ 134,236	\$ -	\$ 726,780	18.47%
	2016	142,441	142,441	-	779,488	18.27%
	2017	162,849	162,849	-	881,692	18.47%
	2018	162,833	162,833	-	881,608	18.47%
<b>Public Safety Systems</b>						
	2015	\$ 48,149	\$ 48,149	\$ -	\$ 141,449	34.04%
	2016	69,643	69,643	-	204,591	34.04%
	2017	81,615	81,615	-	249,510	32.71%
	2018	85,140	85,140	-	272,101	31.29%
<b>Tier 2 Public Employees System *</b>						
	2015	\$ 20,253	\$ 20,253	\$ -	\$ 135,565	14.94%
	2016	21,462	21,462	-	143,947	14.91%
	2017	37,620	37,620	-	252,313	14.91%
	2018	43,915	43,915	-	290,635	15.11%
<b>Tier 2 Public Safety and Firefighter System *</b>						
	2015	\$ 8,804	\$ 8,804	\$ -	\$ 39,042	22.55%
	2016	258	258	-	1,146	22.50%
	2017	-	-	-	-	0.00%
	2018	9,133	9,133	-	40,464	22.57%
<b>Tier 2 Public Employees DC Only System *</b>						
	2015	\$ 1,999	\$ 1,999	\$ -	\$ 29,747	6.72%
	2016	2,086	2,086	-	31,174	6.69%
	2017	2,536	2,536	-	37,902	6.69%
	2018	2,546	2,546	-	38,053	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 four 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.

**CITY OF EPHRAIM, UTAH**  
**Notes to Required Supplementary Information**  
June 30, 2018

---

*Changes in Assumptions*

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to sever economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

## **Supplementary Information**

**EPHRAIM CITY**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 171,792	\$ 33,814	\$ 306,340	\$ 85,033	596,979
Accounts Receivable:					
Utilities receivable	18,748	8,549	-	-	27,297
Allowance for doubtful accounts	(176)	-	-	-	(176)
Other receivables	-	-	17,569	-	17,569
Inventory - at cost	-	-	710,847	-	710,847
Total Current Assets	<u>190,364</u>	<u>42,363</u>	<u>1,034,756</u>	<u>85,033</u>	<u>1,352,516</u>
<b>FIXED ASSETS</b>					
Improvements	-	-	77,150	154,558	231,708
Less: accumulated depreciation	-	-	(2,327)	(57,207)	(59,534)
Machinery and equipment	129,372	-	-	-	129,372
Less: accumulated depreciation	(86,428)	-	-	-	(86,428)
Total Noncurrent Assets	<u>42,944</u>	<u>-</u>	<u>74,823</u>	<u>97,351</u>	<u>215,118</u>
Total Assets	<u>233,308</u>	<u>42,363</u>	<u>1,109,579</u>	<u>182,384</u>	<u>1,567,634</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	12,286	-	122,028	-	134,314
Total Current Liabilities	<u>12,286</u>	<u>-</u>	<u>122,028</u>	<u>-</u>	<u>134,314</u>
Noncurrent Liabilities					
Bonds and loans payable	-	-	242,330	-	242,330
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>242,330</u>	<u>-</u>	<u>242,330</u>
Total Liabilities	<u>12,286</u>	<u>-</u>	<u>364,358</u>	<u>-</u>	<u>376,644</u>
<b>NET POSITION</b>					
Net investment in capital assets	42,944	-	74,823	97,351	215,118
Retained Earnings					
Restricted for:					
Unrestricted	178,078	42,363	670,398	85,033	975,872
Total Net Position	<u>\$ 221,022</u>	<u>\$ 42,363</u>	<u>\$ 745,221</u>	<u>\$ 182,384</u>	<u>\$ 1,190,990</u>

**EPHRAIM CITY**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Nonmajor Proprietary Funds**  
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
<b>Operating Revenues:</b>					
Charges for sales and services	\$ 186,450	\$ -	\$ 393,393	\$ -	\$ 579,843
Total Operating Revenues	<u>186,450</u>	<u>-</u>	<u>393,393</u>	<u>-</u>	<u>579,843</u>
<b>Operating Expenses:</b>					
Salaries and wages	-	-	4,352	-	4,352
Employee Benefits	-	-	446	-	446
Administrative costs	27,709	-	-	-	27,709
Depreciation	3,405	-	1,163	4,732	9,300
Service in lieu of taxes	268	-	-	-	268
Insurance	492	-	492	-	984
Professional services	-	-	2,953	90	3,043
Landfill costs	56,938	-	-	-	56,938
Collection costs	80,903	-	-	-	80,903
Miscellaneous	1	-	407,598	3,410	411,009
Total Operating Expenses	<u>169,716</u>	<u>-</u>	<u>417,004</u>	<u>8,232</u>	<u>594,952</u>
Operating income	<u>16,734</u>	<u>-</u>	<u>(23,611)</u>	<u>(8,232)</u>	<u>(15,109)</u>
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	-	81	7,371	-	7,452
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>81</u>	<u>7,371</u>	<u>-</u>	<u>7,452</u>
Net Income (Loss)	<u>16,734</u>	<u>81</u>	<u>(16,240)</u>	<u>(8,232)</u>	<u>(7,657)</u>
Change in Net Assets	16,734	81	(16,240)	(8,232)	(7,657)
Total Net Position - Beginning	204,288	42,282	761,461	190,616	1,198,647
Total Net Position - Ending	<u>\$ 221,022</u>	<u>\$ 42,363</u>	<u>\$ 745,221</u>	<u>\$ 182,384</u>	<u>\$ 1,190,990</u>

**EPHRAIM CITY**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 185,384	\$ (50)	\$ 393,393	\$ -	\$ 578,727
Payments to suppliers	(166,041)	-	(351,363)	(3,500)	(520,904)
Payments to employees	-	-	(4,798)	-	(4,798)
Net cash provided (used) by operating activities	<u>19,343</u>	<u>(50)</u>	<u>37,232</u>	<u>(3,500)</u>	<u>53,025</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(8,650)	-	(16,035)	-	(24,685)
Principal paid on capital debt	-	-	(54,962)	-	(54,962)
Net cash provided (used) by capital and related financing activities	<u>(8,650)</u>	<u>-</u>	<u>(70,997)</u>	<u>-</u>	<u>(79,647)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	-	81	7,371	-	7,452
Net cash provided (used) by investing activities	<u>-</u>	<u>81</u>	<u>7,371</u>	<u>-</u>	<u>7,452</u>
Net increase (decrease) in cash and cash equivalents	10,693	31	(26,394)	(3,500)	(19,170)
Cash and cash equivalents, July 1	161,099	33,783	332,734	88,533	616,149
Cash and cash equivalents, June 30	<u>\$ 171,792</u>	<u>\$ 33,814</u>	<u>\$ 306,340</u>	<u>\$ 85,033</u>	<u>\$ 596,979</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	<u>16,734</u>	<u>-</u>	<u>(23,611)</u>	<u>(8,232)</u>	<u>(15,109)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	3,405	-	1,163	4,732	9,300
(Increase) decrease in accounts receivable	(1,066)	(50)	-	-	(1,116)
(Increase) decrease in inventories	-	-	(61,985)	-	(61,985)
Increase (decrease) in accrued liabilities	270	-	121,665	-	121,935
Total adjustments	<u>2,609</u>	<u>(50)</u>	<u>60,843</u>	<u>4,732</u>	<u>68,134</u>
Net cash provided (used) by operating activities	<u>\$ 19,343</u>	<u>\$ (50)</u>	<u>\$ 37,232</u>	<u>\$ (3,500)</u>	<u>\$ 53,025</u>



## **Other Reports**

**Intentionally left blank**



**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, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated December 3, 2018.

**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

Spanish Fork, Utah  
December 3, 2018



**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, 2018.

General state compliance requirements were tested for the year ended June 30, 2018 in the following areas:

Budgetary Compliance	Treasurer's Bond
Fund Balance	Restricted Taxes and Related Revenues
Justice Courts	Open and Public Meetings Act
Utah Retirement Systems	

***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, 2018. Compliance requirements. However, our audit does not provide a legal determination of city's compliance.

## **Other Matters**

The results of our auditing procedures did not disclose any 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

Spanish Fork, Utah  
December 3, 2018



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

Honorable Mayor, City Council,  
and Management  
Ephraim City  
Ephraim, Utah

### **Report on Compliance for Each Major Federal Program**

We have audited 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, 2018. 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 the requirements of laws, regulations, contracts, and grants 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, 2018.

## 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 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. 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 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

Spanish Fork, Utah  
December 3, 2018



**SUMMARY OF AUDIT RESULTS**

1. The independent auditor's 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 programs include:

Airport Improvement Program	20.106
-----------------------------	--------
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.

***\*\*This page intentionally left blank\*\****

**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, 2018

Federal Grantor/Pass-Thru/ Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
<b>Direct Assistance:</b>			
<b>U.S. Department of the Interior (DOI):</b>			
WaterSMART Drought Response Program	15.514	R18AP00090	102,527
Total U.S. Department of the Interior			<u>102,527</u>
Total Direct Assistance			<u>102,527</u>
<b>Indirect Assistance:</b>			
<b>U.S. Department of Transportation:</b>			
<b>Passthrough the Utah Department of Transportation</b>			
* Airport Improvement Program - FAA	20.106	3-49-0018-009-2017	\$ 1,160,051
Total Department of Transportation			<u>1,160,051</u>
Total Indirect Assistance			<u>1,160,051</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,262,578</u></u>

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, 2018. 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, 2018.

4. **DE MINIMIS INDIRECT COST RATE**

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