

Ephraim City
Sanpete County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

Ephraim City
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Independent Auditor's Report

Honorable Mayor
Members of the City Council
Ephraim City, Utah

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ephraim City, Utah, (the "City") as of and for the year ended June 30, 2019, 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, 2019, 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2019 on our consideration of Ephraim City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
November 22, 2019

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, 2019. 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 \$408,054 to \$35,781,093. The governmental net position decreased by \$72,956 and the business-type net position increased by \$481,010.
- The total net position of \$35,781,093 is made up of \$26,517,871 in capital assets net of related debt and \$9,263,222 in other net positions.
- The General Fund (the primary operating fund) had a decrease in its fund balance of \$283,575.

REPORTING THE CITY AS A WHOLE

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

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

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

- The statement of activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

- Proprietary funds - Ephraim City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Ephraim City uses enterprise funds to account for its Electric, Water, Sewer, and Solid Waste Utilities, Fire District, Housing Authority, and Rodeo Grounds Complex. As determined by generally-accepted accounting principles all Ephraim City's enterprise funds that meet the criteria for major fund classification are as follows: Water, Sewer, and the Electric Utilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Ephraim City, assets exceed liabilities by \$35,781,093. By far the largest portion of Ephraim City's net position, of \$26,517,871, 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 4,524,735	\$ 4,471,255	\$ 8,319,507	\$ 8,100,038	\$ 12,844,242	\$ 12,571,293
Capital assets	14,251,644	14,817,163	20,237,348	19,696,394	34,488,992	34,513,557
Deferred outflows of resources	449,775	354,055	322,618	279,352	772,393	633,407
Total assets and deferred outflows of resources	19,226,154	19,642,473	28,879,473	28,075,784	48,105,627	47,718,257
Other liabilities	616,848	818,806	543,019	694,268	1,159,867	1,513,074
Long-term liabilities outstanding	2,549,874	2,240,967	8,563,691	7,962,846	11,113,565	10,203,813
Deferred inflows of resources	3,432	284,216	47,670	174,587	51,102	458,803
Total liabilities and inflows of resources	3,170,154	3,343,989	9,154,380	8,831,701	12,324,534	12,175,690
Net position:						
Invested in capital assets, net of related debt	12,528,563	12,930,293	13,989,308	13,067,130	26,517,871	25,997,423
Restricted	593,631	594,724	2,641,603	1,911,550	3,235,234	2,506,274
Unrestricted	2,933,806	2,773,467	3,094,182	4,265,403	6,027,988	7,038,870
Total net position	\$ 16,056,000	\$ 16,298,484	\$ 19,725,093	\$ 19,244,083	\$ 35,781,093	\$ 35,542,567

Changes in Net Position:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 438,921	\$ 491,151	\$ 6,839,235	\$ 5,796,448	\$ 7,278,156	\$ 6,287,599
Operating grants and contribs	478,910	374,145	-	-	478,910	374,145
Capital grants and contribs	36,361	2,350,630	379,286	216,811	415,647	2,567,441
General revenues:						
Property taxes	418,759	407,657	-	-	418,759	407,657
Other taxes	2,083,341	2,028,485	-	-	2,083,341	2,028,485
Unrestricted investment earnings	216,370	151,371	38,697	33,434	255,067	184,805
Benefits exp-Change in NPL/NPA	-	-	112,705	104,993	112,705	104,993
Miscellaneous	1,233,337	1,238,652	53,454	119,811	1,286,791	1,358,463
Total revenues	<u>4,905,999</u>	<u>7,042,091</u>	<u>7,423,377</u>	<u>6,271,497</u>	<u>12,329,376</u>	<u>13,313,588</u>
Expenses:						
General government	1,602,892	436,847	-	-	1,602,892	436,847
Public safety	1,306,023	1,232,807	-	-	1,306,023	1,232,807
Highways and pub. improvements	984,486	956,267	-	-	984,486	956,267
Cemetery	103,529	103,334	-	-	103,529	103,334
Parks and recreation	746,846	1,784,498	-	-	746,846	1,784,498
Community & Economic Development	292,730	269,139	-	-	292,730	269,139
Operating Expenses (Business Type)	-	-	6,674,626	5,512,147	6,674,626	5,512,147
Interest Expense	68,283	69,208	141,907	101,905	210,190	171,113
Total expenses	<u>5,104,789</u>	<u>4,852,100</u>	<u>6,816,533</u>	<u>5,614,052</u>	<u>11,921,322</u>	<u>10,466,152</u>
Increase in net position before transfers	(198,790)	2,189,991	606,844	657,445	408,054	2,847,436
Transfers	125,834	125,834	(125,834)	(125,834)	-	-
Increase in net position	(72,956)	2,315,825	481,010	531,611	408,054	2,847,436
Net position - beginning	16,298,484	13,982,659	19,244,083	18,712,472	35,542,567	32,695,131
Prior period adjustment	(169,528)	-	-	-	(169,528)	-
Net position - ending	<u>\$ 16,056,000</u>	<u>\$ 16,298,484</u>	<u>\$ 19,725,093</u>	<u>\$ 19,244,083</u>	<u>\$ 35,781,093</u>	<u>\$ 35,542,567</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, 2019 the City's governmental funds (General, Capital Projects, Special Revenue and Permanent Fund) reported combined fund equity of \$4,015,871. This represents an increase of \$260,437 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 51.29% of total government fund revenues. The largest element of taxes is sales tax, as it has been for the last several years. It represents 69.68% of total tax revenues and represents 35.74% 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 \$4,789,999 to a final budget of \$5,592,631.

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, 2019 amounts to \$34,488,992 (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	\$127,694
General improvements	\$113,798
General equipment	\$99,597
Water rights	\$219,924
Proprietary equipment	\$222,939
Proprietary improvements	\$777,592

Long-term debt - At June 30, 2019 the City had total debt outstanding of \$9,739,076. Of this amount, \$566,186 is due within 12 months of the fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

As of October 2019, the unemployment rate for Sanpete County is 2.7% compared with a state unemployment rate of 2.5% and a national rate of 3.6%. (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2020 reflects an increase of 8% from the final budget for the fiscal year ended June 30, 2019.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 3,289,473	\$ 4,997,112	\$ 8,286,585
Receivables (net of allowance for doubtful accounts):			
Trade accounts	514,177	659,207	1,173,384
Other	2,415	21,578	23,993
Inventory	11,414	890,366	901,780
Restricted Assets:			
Cash and cash equivalents	707,256	1,751,237	2,458,493
Capital assets not being depreciated:			
Land	236,139	1,062,448	1,298,587
Water rights	-	6,011,333	6,011,333
Work in process	-	2,111,275	2,111,275
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	3,582,923	-	3,582,923
Improvements other than buildings	3,567,740	10,491,624	14,059,364
Equipment	546,785	560,668	1,107,453
Infrastructure	6,318,057	-	6,318,057
Deferred outflows of resources related to pension	449,775	322,618	772,393
Total assets and deferred outflows of resources	19,226,154	28,879,473	48,105,627
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable	249,895	430,938	680,833
Accrued liabilities	143,460	13,453	156,913
Retainage payable	115,509	-	115,509
Compensated absences	107,984	98,628	206,612
Noncurrent Liabilities:			
Net pension liability	826,793	547,696	1,374,489
Debt due within one year	175,815	390,371	566,186
Debt due in more than one year	1,547,266	7,625,624	9,172,890
Total Liabilities	3,166,722	9,106,710	12,273,432
Deferred inflows of resources related to pension	3,432	47,670	51,102
Total liabilities and deferred inflows of resources	3,170,154	9,154,380	12,324,534
NET POSITION			
Net investment in capital assets	12,528,563	13,989,308	26,517,871
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	233,311	-	233,311
Debt Service	185,692	-	185,692
Bond requirements	-	1,690,872	1,690,872
Impact fees	92,747	60,365	153,112
Inventory	-	890,366	890,366
Class C Roads	62,552	-	62,552
Unrestricted	2,933,806	3,094,182	6,027,988
Total net position	\$ 16,056,000	\$ 19,725,093	\$ 35,781,093

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

EPHRAIM CITY
Statement of Activities
For the year ended June 30, 2019

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Governmental Activities	Business-type Activities	Total
			Grants and Contributions			
Primary Government:						
Governmental Activities:						
General government	\$ 1,602,892	\$ 57,445	\$ 36,930	\$ (1,508,517)	-	\$ (1,508,517)
Public safety	1,306,023	108,509	42,101	(1,151,633)	-	(1,151,633)
Highways and public improvements	984,486	-	300,783	(672,003)	-	(672,003)
Cemetery	103,529	-	-	(103,529)	-	(103,529)
Parks, recreation, and public property	746,846	272,967	99,096	(353,902)	-	(353,902)
Community and economic development	292,730	-	-	(292,730)	-	(292,730)
Interest	68,283	-	-	(68,283)	-	(68,283)
Total Governmental Activities	5,104,789	438,921	478,910	(4,150,597)	-	(4,150,597)
Business-type Activities:						
Water	907,353	1,012,291	-	-	296,833	296,833
Sewer	790,560	779,974	-	-	3,805	3,805
Electric	3,417,075	3,538,656	-	-	294,581	294,581
Housing authority	1,311,424	1,319,276	-	-	7,852	7,852
Solid waste	179,894	189,038	-	-	9,144	9,144
Fire district	81	-	-	-	(81)	(81)
Rodeo grounds	97,441	-	-	-	(97,441)	(97,441)
Total Business-type Activities	6,703,828	6,839,235	-	-	514,693	514,693
Total Primary Government	\$ 11,808,617	\$ 7,278,156	\$ 478,910	(4,150,597)	514,693	(3,635,904)
General Revenues:						
Property taxes				418,759	-	418,759
Sales taxes				1,743,577	-	1,743,577
Franchise taxes				339,764	-	339,764
Unrestricted investment earnings				216,370	38,697	255,067
Administrative costs				859,006	-	859,006
Fee in lieu of taxes				180,668	-	180,668
Miscellaneous				193,663	53,454	247,117
Transfers				125,834	(125,834)	-
Total General Revenues and Transfers				4,077,641	(33,683)	4,043,958
Change in Net Assets				(72,956)	481,010	408,054
Net Position - Beginning				16,298,484	19,244,083	35,542,567
Prior adjustment				(169,528)	-	(169,528)
Net Position - Ending				\$ 16,056,000	\$ 19,725,093	\$ 35,781,093

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, 2019

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 795,921	\$ 2,493,552	\$ -	\$ 3,289,473
Accounts Receivable:				
Trade accounts (net of allowance)	514,177	-	-	514,177
Other	-	531	1,884	2,415
Inventory	11,414	-	-	11,414
Restricted assets:				
Cash and cash equivalents	268,924	419,003	19,329	707,256
Total Assets	<u>1,590,436</u>	<u>2,913,086</u>	<u>21,213</u>	<u>4,524,735</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable	249,895	-	-	249,895
Accrued liabilities	109,099	34,361	-	143,460
Retainage payable	113,625	-	1,884	115,509
Total Liabilities	<u>472,619</u>	<u>34,361</u>	<u>1,884</u>	<u>508,864</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>472,619</u>	<u>34,361</u>	<u>1,884</u>	<u>508,864</u>
FUND BALANCES				
Restricted for:				
Special Improvement agency	-	-	19,329	19,329
Perpetual care	-	233,311	-	233,311
Impact fees	92,747	-	-	92,747
Class C Roads	62,552	-	-	62,552
Debt Service	-	185,692	-	185,692
Assigned for:				
Community activities	15,863	-	-	15,863
Capital projects	-	2,459,722	-	2,459,722
Airport	83,448	-	-	83,448
Unassigned	863,207	-	-	863,207
Total Fund Balances	<u>1,117,817</u>	<u>2,878,725</u>	<u>19,329</u>	<u>4,015,871</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u>\$ 1,590,436</u>	<u>\$ 2,913,086</u>	<u>\$ 21,213</u>	<u>\$ 4,524,735</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, 2019

Total fund balances - governmental fund types:	<u>\$ 4,015,871</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.	14,251,644
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.	(2,657,858)
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	449,775
Deferred inflows	(3,432)
Net position of government activities:	<u><u>\$ 16,056,000</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, 2019

	General Fund	Capital Projects	Special Improvement Agency (Non-major)	Total Governmental Funds
REVENUES				
Taxes	\$ 2,502,100	\$ -	\$ -	\$ 2,502,100
Licenses and permits	17,861	-	-	17,861
Intergovernmental revenues	493,941	-	-	493,941
Charges for services	312,551	-	-	312,551
Fines and forfeitures	108,509	-	-	108,509
Interest income	203,660	12,710	-	216,370
Administration	859,006	-	-	859,006
In lieu of taxes	180,668	-	-	180,668
Miscellaneous	175,161	12,282	-	187,443
Total Revenues	<u>4,853,457</u>	<u>24,992</u>	<u>-</u>	<u>4,878,449</u>
EXPENDITURES				
Current:				
General government	1,473,649	6,610	-	1,480,259
Public safety	1,306,896	-	-	1,306,896
Highways and public improvements	623,947	-	-	623,947
Parks, recreation, and public property	552,546	-	-	552,546
Community and economic development	288,868	-	-	288,868
Cemetery	84,930	-	-	84,930
Capital outlay	-	30,078	-	30,078
Debt Service:				
Principal	-	166,061	-	166,061
Interest	-	68,283	-	68,283
Total Expenditures	<u>4,330,836</u>	<u>271,032</u>	<u>-</u>	<u>4,601,868</u>
Excess Revenues Over (Under) Expenditures	<u>522,621</u>	<u>(246,040)</u>	<u>-</u>	<u>276,581</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	264,587	1,086,333	-	1,350,920
Transfers out	(1,098,333)	(126,753)	-	(1,225,086)
Sale of capital assets	6,220	-	-	6,220
Impact fees	21,330	-	-	21,330
Total Other Financing Sources and Uses	<u>(806,196)</u>	<u>959,580</u>	<u>-</u>	<u>153,384</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(283,575)</u>	<u>713,540</u>	<u>-</u>	<u>429,965</u>
Fund Balances - Beginning	<u>1,570,920</u>	<u>2,165,185</u>	<u>19,329</u>	<u>3,755,434</u>
Prior Period Adjustment	<u>(169,528)</u>	<u>-</u>	<u>-</u>	<u>(169,528)</u>
Fund Balances - Ending	<u>\$ 1,117,817</u>	<u>\$ 2,878,725</u>	<u>\$ 19,329</u>	<u>\$ 4,015,871</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, 2019

Net changes in fund balances - total governmental funds:	<u>\$ 429,965</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.	(565,519)
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.	166,061
Adjustment in Long-term debt balance to bring account current	(2,272)
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	(4,860)
The Statement of Activities shows pension benefits and pension expenses from the adoption of GASB 68 that are not shown on the fund statements.	(96,331)
Change in net position of governmental activities:	<u>\$ (72,956)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 2,391,247	\$ 2,545,247	\$ 2,502,100	\$ (43,147)
Licenses and permits	17,000	17,000	17,861	861
Intergovernmental revenues	432,937	382,000	493,941	111,941
Charges for services	302,200	302,200	312,551	10,351
Fines and forfeitures	127,000	117,000	108,509	(8,491)
Interest income	92,000	132,748	203,660	70,912
Administrative	930,059	859,006	859,006	-
In lieu of taxes	180,668	180,668	180,668	-
Miscellaneous	133,134	173,834	175,161	1,327
Total Revenues	<u>4,606,245</u>	<u>4,709,703</u>	<u>4,853,457</u>	<u>143,754</u>
EXPENDITURES				
Current:				
General government	1,618,377	2,323,551	1,473,649	(849,902)
Public safety	1,327,645	1,437,645	1,306,896	(130,749)
Highways and public improvements	780,268	780,268	623,947	(156,321)
Cemetery	71,645	98,845	84,930	(13,915)
Airport	118,574	55,400	143,820	88,420
Parks, recreation, and public property	518,791	552,791	408,726	(144,065)
Community and economic development	354,699	344,131	288,868	(55,263)
Total Expenditures	<u>4,789,999</u>	<u>5,592,631</u>	<u>4,330,836</u>	<u>(1,261,795)</u>
Excess Revenues Over (Under)				
Expenditures	<u>(183,754)</u>	<u>(882,928)</u>	<u>522,621</u>	<u>1,405,549</u>
Other financing sources (uses)				
Transfers in	397,587	1,397,587	264,587	(1,133,000)
Transfers out	(294,270)	(1,248,333)	(1,098,333)	150,000
Sale of Capital Assets	-	-	6,220	6,220
Impact fees	(17,500)	(17,500)	21,330	38,830
Total Other Financing Sources and Uses	<u>85,817</u>	<u>131,754</u>	<u>(806,196)</u>	<u>(937,950)</u>
Excess of Revenues and Other Sources				
Over (Under) Expenditures and Other Uses	<u>(97,937)</u>	<u>(751,174)</u>	<u>(283,575)</u>	<u>467,599</u>
Fund Balances - Beginning			<u>1,570,920</u>	
Fund Balances - Ending			<u>\$ 1,117,817</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, 2019

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Other Proprietary (Non-Major)	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ (165,342)	\$ 474,592	\$ 4,078,918	\$ 608,944	\$ 4,997,112
Accounts Receivable:					
Utilities receivable	218,770	75,053	342,136	27,821	663,780
Allowance for doubtful accounts	(719)	(400)	(3,208)	(246)	(4,573)
Other receivables	315	1,847	1,847	17,569	21,578
Inventory - at cost	147,415	13,985	223,373	505,593	890,366
Restricted Assets:					
Restricted cash and cash equivalents	1,232,523	518,714	-	-	1,751,237
Total Current Assets	1,432,962	1,083,791	4,643,066	1,159,681	8,319,500
Noncurrent Assets					
Land	686,265	376,183	-	-	1,062,448
Construction-in-progress	1,374,518	-	736,757	-	2,111,275
Improvements other than buildings	5,005,873	5,690,308	8,826,585	231,708	19,754,474
Less: accumulated depreciation	(3,157,489)	(1,650,418)	(4,296,895)	(158,048)	(9,262,850)
Machinery and equipment	739,068	497,355	1,467,419	138,072	2,841,914
Less: accumulated depreciation	(618,206)	(373,915)	(1,198,427)	(90,698)	(2,281,246)
Water rights	6,011,333	-	-	-	6,011,333
Total Noncurrent Assets	10,041,362	4,539,543	5,535,416	121,034	20,237,355
Deferred outflow of resources	77,842	72,073	172,703	-	322,618
Total Assets and Deferred Outflow of Resources	11,552,166	5,695,407	10,351,185	1,280,715	28,879,473
LIABILITIES					
Current Liabilities:					
Accounts payable	86,087	38,614	215,861	90,376	430,938
Accrued liabilities	5,804	1,809	5,840	-	13,453
Compensated absences	24,437	17,937	56,254	-	98,628
Current portion of bonds payable	231,825	140,000	18,546	-	390,371
Total Current Liabilities	348,153	198,360	296,501	90,376	933,390
Noncurrent Liabilities:					
Bonds and loans payable	4,454,634	2,413,983	679,924	77,083	7,625,624
Net pension liability	136,768	73,738	337,190	-	547,696
Total Noncurrent Liabilities	4,591,402	2,487,721	1,017,114	77,083	8,173,320
Deferred Inflows of Resources	6,927	54,744	(14,001)	-	47,670
Total Liabilities and Deferred Inflow of Resources	4,946,482	2,740,825	1,299,614	167,459	9,154,380
NET POSITION					
Net investment in capital assets	6,585,794	2,445,511	4,836,969	121,034	13,989,308
Retained Earnings					
Restricted for:					
Bond requirements	1,230,891	459,981	-	-	1,690,872
Impact fees	1,632	58,733	-	-	60,365
Inventory	147,415	13,985	223,373	505,593	890,366
Unrestricted	(1,360,048)	(23,628)	3,991,229	486,629	3,094,182
Total Net Position	\$ 6,605,684	\$ 2,954,582	\$ 9,051,571	\$ 1,113,256	\$ 19,725,093

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, 2019

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Electric	Other Proprietary	
Operating Revenues:					
Charges for sales and services	\$ 1,012,291	\$ 779,974	\$ 3,538,656	\$ 1,508,314	\$ 6,839,235
Grants	142,339	-	173,000	-	315,339
Miscellaneous	2,229	825	49,128	65	52,247
Total Operating Revenues	<u>1,156,859</u>	<u>780,799</u>	<u>3,760,784</u>	<u>1,508,379</u>	<u>7,206,821</u>
Operating Expenses:					
Salaries and wages	153,046	127,954	363,382	4,541	648,923
Employee benefits	92,057	87,280	224,848	488	404,673
Power purchases	-	-	1,713,872	-	1,713,872
Administrative costs	173,391	144,883	510,812	27,420	856,506
Materials and supplies	52,956	2,655	134,011	-	189,622
Repairs and maintenance	12,701	11,645	28,494	-	52,840
Depreciation	256,601	149,984	228,488	102,784	737,857
Service in lieu of taxes	62,093	60,793	-	454	123,340
Insurance	15,501	4,657	19,178	1,106	40,442
Professional services	20,724	21,046	13,922	172	55,864
Utilities and telephone	8,056	106,501	10,532	-	125,089
Travel and training	4,295	258	12,315	-	16,868
Landfill costs	-	-	-	57,766	57,766
Leases & rents	7,318	3,000	2,430	-	12,748
Collection costs	-	-	-	89,444	89,444
Miscellaneous	(43,839)	7,693	124,001	1,304,665	1,392,520
Total Operating Expenses	<u>814,900</u>	<u>728,349</u>	<u>3,386,285</u>	<u>1,588,840</u>	<u>6,518,374</u>
Operating Income	<u>341,959</u>	<u>52,450</u>	<u>374,499</u>	<u>(80,461)</u>	<u>688,447</u>
Nonoperating Revenues (Expenses):					
Interest revenue	7,059	11,563	17,348	2,727	38,697
Interest expense	(79,863)	(55,580)	(6,464)	-	(141,907)
Sale of fixed assets	-	-	1,207	-	1,207
Pension exp-Actuarial calc (GASB 68)	(45,174)	(23,792)	(87,286)	-	(156,252)
Benefits exp-Change in NPL/NPA (GASB 68)	32,584	17,161	62,960	-	112,705
Impact fees	49,556	14,391	-	-	63,947
Total Nonoperating Revenues (Expenses)	<u>(35,838)</u>	<u>(36,257)</u>	<u>(12,235)</u>	<u>2,727</u>	<u>(81,603)</u>
Other Financing Sources (Uses)					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	(90,138)	(2,592)	(138,644)	-	(231,374)
Total Other Financing Sources (Uses)	<u>(86,420)</u>	<u>99,230</u>	<u>(138,644)</u>	<u>-</u>	<u>(125,834)</u>
Net Income (Loss)	<u>219,701</u>	<u>115,423</u>	<u>223,620</u>	<u>(77,734)</u>	<u>481,010</u>
Change in Net Position	219,701	115,423	223,620	(77,734)	481,010
Total Net Position - Beginning	6,385,983	2,839,159	8,827,951	1,190,990	19,244,083
Total Net Position - Ending	<u>\$ 6,605,684</u>	<u>\$ 2,954,582</u>	<u>\$ 9,051,571</u>	<u>\$ 1,113,256</u>	<u>\$ 19,725,093</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, 2019

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Electric	Non-major Proprietary	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,043,280	\$ 779,038	\$ 3,523,183	\$ 1,507,860	\$ 6,853,361
Other cash receipts	2,229	825	49,128	65	52,247
Grant funds received	142,339	-	173,000	-	315,339
Payments to suppliers	(346,870)	(365,204)	(2,659,496)	(1,319,711)	(4,691,281)
Payments to employees	(238,641)	(213,188)	(581,295)	(5,029)	(1,038,153)
Net cash provided (used) by operating activities	602,337	201,471	504,520	183,185	1,491,513
Cash Flows From Non-Capital and Related Financing Activities					
Operating transfers in	3,718	101,822	-	-	105,540
Operating transfers out	(90,138)	(2,592)	(138,644)	-	(231,374)
Net cash provided (used) by non-capital and related financing activities	(86,420)	99,230	(138,644)	-	(125,834)
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(860,949)	(83,160)	(746,341)	(8,700)	(1,699,150)
Dispositions of capital assets	35,762	8,853	406,381	-	450,996
Principal paid on capital debt	(225,290)	(140,000)	(13,280)	(165,247)	(543,817)
Proceeds from long term debt	758,000	-	173,000	-	931,000
Proceeds from sale of capital assets	-	-	1,207	-	1,207
Collection of impact fees	49,556	14,391	-	-	63,947
Interest paid on capital debt	(79,863)	(55,580)	(6,464)	-	(141,907)
Net cash provided (used) by capital and related financing activities	(322,784)	(255,496)	(185,497)	(173,947)	(937,724)
Cash Flows From Investing Activities					
Interest and dividends received	7,059	11,563	17,348	2,727	38,697
Net cash provided (used) by investing activities	7,059	11,563	17,348	2,727	38,697
Net increase (decrease) in cash and cash equivalents	200,192	56,768	197,727	11,965	466,652
Cash and cash equivalents, July 1	897,649	936,538	3,881,189	596,979	6,312,355
Prior period adjustment	(30,660)	-	-	-	(30,660)
Cash and cash equivalents, June 30	\$ 1,067,181	\$ 993,306	\$ 4,078,916	\$ 608,944	\$ 6,748,347
					2
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 341,959	\$ 52,450	\$ 374,499	\$ (80,461)	\$ 688,447
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	256,601	149,984	228,488	102,784	737,857
(Increase) decrease in accounts receivable	30,989	(936)	(15,473)	(454)	14,126
(Increase) decrease in inventories	(774)	(164)	(1,984)	205,254	202,332
Increase (decrease) in payables	(32,900)	(1,909)	(87,945)	(43,938)	(166,692)
Increase (decrease) in accrued liabilities	3,541	53	170	-	3,764
Increase (decrease) in compensated absences	2,921	1,993	6,765	-	11,679
Total adjustments	260,378	149,021	130,021	263,646	803,066
Net cash provided (used) by operating activities	\$ 602,337	\$ 201,471	\$ 504,520	\$ 183,185	\$ 1,491,513

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, 2019

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, 2019

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

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

Proprietary Funds

Enterprise Fund

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

Major and Non-major Funds

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

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

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2019

Nonmajor:

Special Revenue Funds:	Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.
Enterprise Funds: Solid Waste Fund, Fire District, And the Rodeo Grounds Fund.	Accounts for revenues and expenditures of each respective fund.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

Basis of Accounting

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

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2019

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, 2019

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

Fixed Assets

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The City’s capitalization policy is to capitalize assets \$5,000 or greater in value.

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

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

Fund Financial Statements

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

Restricted Assets

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

EPHRAIM CITY

Notes to the Financial Statements

For the Year Ended June 30, 2019

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, 2019

- 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, 2019

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, 2019

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, 2019

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, 2019, 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, 2019, the City had \$737,000 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, 2019, the City had \$9,002,077 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, 2019

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, 2019.

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. For the year ended June 30, 2019, all departments and funds were within budgeted appropriations, except for the Manti-Ephraim Airport which had expenditures that exceeded budgeted appropriations.

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2019, the City’s custodial credit risk for deposits is as follows:

	<u>Custodial Credit Risk</u>	<u>Balance June 30, 2019</u>
Depository Accounts:	Insured	\$ 330,893
	Uninsured and uncollateralized	368,910
Total Depository Accounts		<u><u>\$ 699,803</u></u>

Investments

As of June 30, 2019 the government had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturity in Years</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>More Than 5</u>
Investment in Public				
Treasurers' Investment Fund	\$ 10,052,332	\$ 10,052,332		
Total Fair Value	<u><u>\$ 10,052,332</u></u>	<u><u>\$ 10,052,332</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Fair Value of Investments – The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered hierarchy, as follow: Level 1—Quoted prices for identical investments in active markets; Level 2 – Observable inputs other than quoted market prices; and, Level 3 – Unobservable inputs. At June 30, 2019 the City had all investments in the PTIF, which uses a Level 2 fair value measurement.

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

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

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

Reconciliation to Government-wide Statement of Net Position:

Investments		\$	10,052,332
Deposits			692,746
	Total	<u>\$</u>	<u>10,745,078</u>

Per Statement of Net Position

Unrestricted Cash		\$	8,286,585
Restricted Cash			2,458,493
	Total	<u>\$</u>	<u>10,745,078</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2019, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Interest	Total
<i>Business-Type Activities:</i>				
Bond Requirements	\$ 1,690,872	\$ -	\$ -	\$ 1,690,872
Impact Fees	60,365	-	-	60,365
Total	<u>1,751,237</u>	<u>-</u>	<u>-</u>	<u>1,751,237</u>
<i>Governmental Activities:</i>				
Retainage Payable	113,625	-	-	113,625
Special Improvement Agency	19,329	-	-	19,329
Perpetual care	233,311	-	-	233,311
Debt Service	185,692	-	-	185,692
Impact Fees	92,747	-	-	92,747
Class C Roads	62,552	-	-	62,552
Total	<u>707,256</u>	<u>-</u>	<u>-</u>	<u>707,256</u>
Grand Totals	<u>\$ 2,458,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,458,493</u>

3.C. ACCOUNTS RECEIVABLE

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

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 514,177	\$ 663,780	\$ 1,177,957
Special Assessments	1,884	-	1,884
Housing Authority	-	17,569	17,569
Other	531	4,009	4,540
Allowance for Doubtful Accounts	-	(4,573)	(4,573)
Net Accounts Receivable	<u>\$ 516,592</u>	<u>\$ 680,785</u>	<u>\$ 1,197,377</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Disposals/Transfers</u>	<u>Balance at June 30, 2019</u>
Governmental Activities:				
Land	\$ 216,039	\$ -	\$ -	\$ 216,039
Impact Fees - Street Facilities	20,100	-	-	20,100
Buildings	5,948,508	-	-	5,948,508
Improvements	4,513,819	143,876	-	4,657,695
Machinery and Equipment	2,020,729	99,597	(143,638)	1,976,688
Infrastructure	14,710,272	135,120	-	14,845,392
Work in Progress	27,067	-	(27,067)	-
Totals at historical cost	<u>27,456,534</u>	<u>378,593</u>	<u>(170,705)</u>	<u>27,664,422</u>
Less Accumulated Depreciation:				
Buildings	(2,224,112)	(141,473)	-	(2,365,585)
Improvements	(985,646)	(104,309)	-	(1,089,955)
Machinery and Equipment	(1,434,836)	(138,705)	143,638	(1,429,903)
Infrastructure	(7,994,777)	(532,558)	-	(8,527,335)
Total Accum. Depreciation	<u>(12,639,371)</u>	<u>(917,045)</u>	<u>143,638</u>	<u>(13,412,778)</u>
Governmental Activities capital assets, net	<u>\$ 14,817,163</u>	<u>\$ (538,452)</u>	<u>\$ (27,067)</u>	<u>\$ 14,251,644</u>
Business-type Activities:				
Land	\$ 895,783	\$ -	\$ -	\$ 895,783
Building and Improvements	18,852,377	777,592	-	19,629,969
Machinery and Equipment	2,680,237	222,939	(21,716)	2,881,460
Water Rights	5,271,810	219,924	-	5,491,734
Impact fee assets	732,411	-	-	732,411
Work in Progress	2,091,731	478,695	(420,338)	2,150,088
Totals at historical cost	<u>30,524,349</u>	<u>1,699,150</u>	<u>(442,054)</u>	<u>31,781,445</u>
Less Accumulated Depreciation:				
Building and Improvements	(8,629,568)	(633,283)	-	(9,262,851)
Machinery and Equipment	(2,198,387)	(82,859)	-	(2,281,246)
Total Accum. Depreciation	<u>(10,827,955)</u>	<u>(716,142)</u>	<u>-</u>	<u>(11,544,097)</u>
Business-type Activities capital assets, net	<u>\$ 19,696,394</u>	<u>\$ 983,008</u>	<u>\$ (442,054)</u>	<u>\$ 20,237,348</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 160,827
Public safety	62,201
Highways and public improvements	205,737
Parks, recreation and public property	465,819
Community and economic development	3,862
Cemetery	18,599
Total depreciation expense	<u>\$ 917,045</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

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, 2019, the City had \$1,831,065 in governmental long-term-debt:

<i>Governmental:</i>	<u>2018</u>	<u>2019</u>
Bonds Payable:		
Library Bonds, Series 2007		
Original Principal \$1,120,000 @ 2.5%	605,000	555,000
Public Safety Bonds, Series 2000		
Original Principal \$670,000 @ 2.5%	153,000	116,000
Building Authority, Series 2005		
Original Principal \$141,000 @ 0%	72,000	66,000
Total Bonds Payable	<u>830,000</u>	<u>737,000</u>
Direct Borrowings:		
City Office Notes, Series 2001		
Original Principal \$1,925,000 @ 3.85%	1,056,870	986,081
Total Direct Borrowings	<u>1,056,870</u>	<u>986,081</u>
Compensated Absences	<u>103,124</u>	<u>107,984</u>
Total Governmental Long-Term Debt	<u>\$ 1,989,994</u>	<u>\$ 1,831,065</u>

Business-type Activities:

As of June 30, 2019, the long-term debt payable from proprietary fund resources consisted of the following:

<i>Business:</i>	<u>2018</u>	<u>2019</u>
Bonds Payable:		
2014 Utah Waste Water Expansion Bonds		
Original Principal \$2,583,000 @ 2.00%	2,458,289	2,458,287
1993 Sewer Bonds- Series C		
Original Principal \$1,307,000 @ 5.45%	235,695	95,695
2019 Parity Revenue Bond - Water		
Original Principal \$346,000 @ 2.5%	-	346,000
Total Bonds Payable	<u>2,693,984</u>	<u>2,899,982</u>
Direct Borrowings:		
2014 Housing Authority- Olene Walker Loan		
Original Principal \$517,142 @ 5%	242,331	77,083
2018 Nielsen Note Payable		
Original Principal \$3,965,000 @ 2%	3,615,000	3,402,990
2018 Ephriam Irrigation Note Payable		
Original Principal \$1,077,500 @ 2%	1,077,498	1,050,940
2019 Water Well Note Payable		
Original Principal \$1,145,000 @ 1%	-	585,000
Total Direct Borrowings	<u>4,934,829</u>	<u>5,116,013</u>
Compensated Absences	<u>86,949</u>	<u>98,628</u>
Total Business-Type Long-Term Debt	<u>\$ 7,715,762</u>	<u>\$ 8,114,623</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

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

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

<u>Type of Debt</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
Compensated Absences	\$ 103,124	\$ 4,860	\$ -	\$ 107,984
Bonds Payable	830,000	-	(93,000)	737,000
Direct Borrowings	1,056,870	-	(70,789)	986,081
Total Governmental Debt	<u>1,989,994</u>	<u>4,860</u>	<u>(163,789)</u>	<u>1,831,065</u>
Business-type Activities:				
Compensated Absences	86,949	11,679	-	98,628
Bonds Payable	2,693,984	346,000	(140,002)	2,899,982
Direct Borrowings	4,934,829	585,000	(403,816)	5,116,013
Total Business-type Debt	<u>\$ 7,715,762</u>	<u>\$ 942,679</u>	<u>\$ (543,818)</u>	<u>\$ 8,114,623</u>

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, 2019, are as follows:

Year Ending June 30,	<u>Business-Type</u>		<u>Governmental</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	423,149	151,287	\$ 175,815	\$ 62,177
2021	281,746	148,634	180,612	56,930
2022	447,916	144,161	185,493	51,514
2023	456,186	135,417	150,464	45,913
2024	464,558	126,510	115,529	40,883
2025-2029	2,465,117	492,723	510,211	140,649
2030-2034	2,430,722	242,057	404,957	52,520
2035-2039	533,818	78,083	-	-
2040-2044	329,595	38,101	-	-
2045-2049	183,188	9,250	-	-
Total	<u>\$ 8,015,995</u>	<u>\$ 1,566,223</u>	<u>\$ 1,723,081</u>	<u>\$ 450,586</u>

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

3.G. INTER-FUND TRANSACTIONS AND BALANCES

Operating Transfers

The City had the following inter-fund transactions for the year ended June 30, 2019.

	<u>Transfer to</u>	<u>Transfer from</u>
Transfer to/from General Fund	252,587	1,098,333
Transfer to Building Authority Fund	236,333	-
Transfer to/from Equip/Bldg Cap Proj Fund	850,000	126,753
Transfer to/from Water Fund	3,718	90,138
Transfer to/from Sewer Fund	101,822	2,592
Transfer from Electric Fund	-	138,644
Transfer to Airport Fund	12,000	-
	<u>\$ 1,456,460</u>	<u>\$ 1,456,460</u>

3.H. FUND EQUITY

Restricted Fund Equity

NET POSITION

Net investment in capital assets	12,528,563	13,989,308	26,517,871
Restricted for:			
Special Improvement agency	19,329	-	19,329
Perpetual care	233,311	-	233,311
Debt Service	185,692	-	185,692
Bond requirements	-	1,690,872	1,690,872
Impact fees	92,747	60,365	153,112
Inventory	-	890,366	890,366
Class C Roads	62,552	-	62,552
Unrestricted	2,933,806	3,094,182	6,027,988
Total net position	<u>\$ 16,056,000</u>	<u>\$ 19,725,093</u>	<u>\$ 35,781,093</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, 2019

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

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

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
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, 2019

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	15.54	1.15
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	23.09	0.74
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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$175,417	N/A
Public Safety System	123,963	-
Tier 2 Public Employees System	59,748	-
Tier 2 Public Safety and Firefighter	282	-
Tier 2 DC Only System	2,667	N/A
Total Contributions	\$362,077	\$ -

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, 2019

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

At June 30, 2019, we reported a net pension asset of \$0 and a net pension liability of \$1,374,491.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share June 30, 2017	Change (Decrease)
Noncontributory System	\$ -	\$ 813,638	0.1104928%	0.1047535%	0.0057393%
Public Safety System	-	548,538	0.2132244%	0.1445514%	0.0686730%
Tier 2 Public Employees System	-	11,904	0.0277947%	0.0274776%	0.0003171%
Tier 2 Public Safety and Fire Fighter System	-	411	0.0163839%	0.0183082%	-0.0019243%
	<u>\$ -</u>	<u>\$ 1,374,491</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019. We recognized pension expense of \$501,932.

At June 30, 2019, 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	\$ 10,738	\$ 43,741
Changes in assumptions	175,423	229
Net difference between projected and actual earnings on pension plan investments	268,134	-
Changes in proportion and differences between contributions and proportionate share of contributions	135,022	7,130
Contributions subsequent to the measurement date	183,076	-
Total	<u>\$ 772,393</u>	<u>\$ 51,100</u>

\$183,076 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, 2018.

EPHRAIM CITY
Notes to the Financial Statements
For the Year Ended June 30, 2019

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>
2019	\$ 254,436
2020	\$ 110,959
2021	\$ 41,639
2022	\$ 127,276
2023	\$ 469
Thereafter	\$ 3,437

Actuarial assumptions: The total pension liability in the December 31, 2018, 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, 2018, 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, 2019

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate 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	\$ 1,667,520	\$ 813,638	\$ 102,581
Public Safety System	1,075,231	548,538	120,979
Tier 2 Public Employees System	47,689	11,904	(15,713)
Tier 2 Public Safety and Firefighter	3,096	411	(1,645)
	\$2,793,536	\$1,374,491	\$206,202

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, 2019

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>2019</u>	<u>2018</u>	<u>2017</u>
401(k) Plan			
Employer Contributions	\$98,187	\$82,280	\$95,784
Employee Contributions	\$69,825	\$54,761	\$46,417
457 Plan			
Employer Contributions	\$0	\$0	\$13,380
Employee Contributions	\$854	\$819	\$814
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$1,300	\$1,080	\$870

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 the date of the audit report, 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, 2019

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.

4.F. Prior Period Adjustment

A prior period adjustment was done in the general fund to correct a prior estimated receivable.

**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):	2019	0.1104928%	0.2132244%	0.0277947%	0.0163839%
	2018	0.1047535%	0.1445514%	0.0274776%	0.0183082%
	2017	0.1003659%	0.1535813%	0.0245557%	0.0000000%
	2016	0.0909519%	0.1122023%	0.0215828%	0.0339561%
Proportionate share of the net pension liability (asset):	2019	\$ 813,638	\$ 548,538	\$ 11,904	\$ 411
	2018	458,956	226,752	2,423	(212)
	2017	644,472	311,659	2,739	-
	2016	514,650	200,983	(47)	(496)
Covered Employee Payroll:	2019	\$ 917,189	\$ 326,821	\$ 324,083	\$ 22,419
	2018	862,737	283,954	268,860	19,267
	2017	843,010	324,007	201,376	-
	2016	749,343	239,246	139,429	20,160
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:	2019	88.71%	167.84%	3.67%	1.83%
	2018	53.20%	79.86%	0.90%	-1.10%
	2017	76.45%	96.19%	1.36%	0.00%
	2016	68.68%	84.01%	-0.03%	-2.46%
Plan fiduciary net position as a percentage of its covered-employee payroll:	2019	87.0%	84.7%	90.8%	95.6%
	2018	91.9%	90.2%	97.4%	103.0%
	2017	87.3%	86.5%	95.1%	103.6%
	2016	87.8%	87.1%	100.2%	110.7%

* 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 four years.

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

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System					
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%
2019	175,417	175,417	-	949,743	18.47%
Public Safety Systems					
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%
2019	123,963	123,963	-	364,168	34.04%
Tier 2 Public Employees System *					
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%
2019	59,748	59,748	-	384,479	15.54%
Tier 2 Public Safety and Firefighter System *					
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%
2019	282	282	-	1,221	23.09%
Tier 2 Public Employees DC Only System *					
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%
2019	2,667	2,667	-	39,867	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 five 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, 2019

Changes in Assumptions

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

Supplementary Information

EPHRAIM CITY
Combining Statement of Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 176,117	\$ 33,814	\$ 314,070	\$ 84,943	608,944
Accounts Receivable:					
Utilities receivable	19,272	8,549	-	-	27,821
Allowance for doubtful accounts	(246)	-	-	-	(246)
Other receivables	-	-	17,569	-	17,569
Inventory - at cost	-	-	505,593	-	505,593
Total Current Assets	195,143	42,363	837,232	84,943	1,159,681
FIXED ASSETS					
Improvements	-	-	77,150	154,558	231,708
Less: accumulated depreciation	-	-	(3,490)	(154,558)	(158,048)
Machinery and equipment	138,072	-	-	-	138,072
Less: accumulated depreciation	(90,698)	-	-	-	(90,698)
Total Noncurrent Assets	47,374	-	73,660	-	121,034
Total Assets	242,517	42,363	910,892	84,943	1,280,715
LIABILITIES					
Current Liabilities:					
Accounts payable	12,351	-	78,025	-	90,376
Total Current Liabilities	12,351	-	78,025	-	90,376
Noncurrent Liabilities					
Bonds and loans payable	-	-	77,083	-	77,083
Total Noncurrent Liabilities	-	-	77,083	-	77,083
Total Liabilities	12,351	-	155,108	-	167,459
NET POSITION					
Net investment in capital assets	47,374	-	73,660	-	121,034
Retained Earnings					
Unrestricted	182,792	42,363	682,124	84,943	992,222
Total Net Position	\$ 230,166	\$ 42,363	\$ 755,784	\$ 84,943	\$ 1,113,256

EPHRAIM CITY
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
Operating Revenues:					
Charges for sales and services	\$ 189,038	\$ -	\$ 1,319,276	\$ -	\$ 1,508,314
Miscellaneous	-	-	65.00	-	65
Total Operating Revenues	<u>189,038</u>	<u>-</u>	<u>1,319,341</u>	<u>-</u>	<u>1,508,379</u>
Operating Expenses:					
Salaries and wages	-	-	4,541	-	4,541
Employee Benefits	-	-	488	-	488
Administrative costs	27,420	-	-	-	27,420
Depreciation	4,270	-	1,163	97,351	102,784
Service in lieu of taxes	454	-	-	-	454
Insurance	452	-	654	-	1,106
Professional services	-	-	82	90	172
Landfill costs	57,766	-	-	-	57,766
Collection costs	89,444	-	-	-	89,444
Miscellaneous	88	81	1,304,496	-	1,304,665
Total Operating Expenses	<u>179,894</u>	<u>81</u>	<u>1,311,424</u>	<u>97,441</u>	<u>1,588,840</u>
Operating income	<u>9,144</u>	<u>(81)</u>	<u>7,917</u>	<u>(97,441)</u>	<u>(80,461)</u>
Nonoperating Revenues (Expenses):					
Interest revenue	-	81	2,646	-	2,727
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>81</u>	<u>2,646</u>	<u>-</u>	<u>2,727</u>
Net Income (Loss)	<u>9,144</u>	<u>-</u>	<u>10,563</u>	<u>(97,441)</u>	<u>(77,734)</u>
Change in Net Assets	9,144	-	10,563	(97,441)	(77,734)
Total Net Position - Beginning	221,022	42,363	745,221	182,384	1,190,990
Total Net Position - Ending	<u>\$ 230,166</u>	<u>\$ 42,363</u>	<u>\$ 755,784</u>	<u>\$ 84,943</u>	<u>\$ 1,113,256</u>

EPHRAIM CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Housing Authority	Rodeo Grounds	
Cash Flows From Operating Activities					
Receipts from customers	\$ 188,584	\$ -	\$ 1,319,276	\$ -	\$ 1,507,860
Payments to suppliers	(175,559)	(81)	(1,143,981)	(90)	(1,319,711)
Payments to employees	-	-	(5,029)	-	(5,029)
Net cash provided (used) by operating activities	<u>13,025</u>	<u>(81)</u>	<u>170,331</u>	<u>(90)</u>	<u>183,185</u>
Cash Flows From Capital and Related Financing Activities					
Purchases of capital assets	(8,700)	-	-	-	(8,700)
Principal paid on capital debt	-	-	(165,247)	-	(165,247)
Net cash provided (used) by capital and related financing activities	<u>(8,700)</u>	<u>-</u>	<u>(165,247)</u>	<u>-</u>	<u>(173,947)</u>
Cash Flows From Investing Activities					
Interest and dividends received	-	81	2,646	-	2,727
Net cash provided (used) by investing activities	<u>-</u>	<u>81</u>	<u>2,646</u>	<u>-</u>	<u>2,727</u>
Net increase (decrease) in cash and cash equivalents	4,325	-	7,730	(90)	11,965
Cash and cash equivalents, July 1	171,792	33,814	306,340	85,033	596,979
Cash and cash equivalents, June 30	<u>\$ 176,117</u>	<u>\$ 33,814</u>	<u>\$ 314,070</u>	<u>\$ 84,943</u>	<u>\$ 608,944</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 9,144	\$ (81)	\$ 7,917	\$ (97,441)	\$ (80,461)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	4,270	-	1,163	97,351	102,784
(Increase) decrease in accounts receivable	(454)	-	-	-	(454)
(Increase) decrease in inventories	-	-	205,254	-	205,254
Increase (decrease) in accrued liabilities	65	-	(44,003)	-	(43,938)
Total adjustments	<u>3,881</u>	<u>-</u>	<u>162,414</u>	<u>97,351</u>	<u>263,646</u>
Net cash provided (used) by operating activities	<u>\$ 13,025</u>	<u>\$ (81)</u>	<u>\$ 170,331</u>	<u>\$ (90)</u>	<u>\$ 183,185</u>

Other Reports

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ephraim City, Utah (herein referred to as the “City”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah

November 22, 2019



**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, 2019.

General state compliance requirements were tested for the year ended June 30, 2019 in the following areas:

- | | |
|-------------------------|---------------------------------------|
| Budgetary Compliance | Restricted Taxes and Related Revenues |
| Fund Balance | Open and Public Meetings Act |
| Justice Courts | Cash Management |
| Utah Retirement Systems | Enterprise Fund Transfers |
| Treasurer’s Bond | Impact Fees |

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, 2019. Compliance requirements. However, our audit does not provide a legal determination of city’s compliance.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*, and which are described in our report to management dated November 22, 2019.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

Larson & Company, PC

Larson & Company, PC

Spanish Fork, Utah
November 22, 2019