

**CITY OF EPHRAIM, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

**CITY OF EPHRAIM, UTAH
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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor
Members of the City Council
City of Ephraim, 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 the City of Ephraim, as of and for the year ended June 30, 2012, which collectively comprise the City of Ephraim's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ephraim's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ephraim, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 30, 2012, on our consideration of the City of Ephraim'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 the 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ephraim's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Larson & Rosenberger, LLP

November 30, 2012

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, 2012. 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 assets of Ephraim City increased by \$1,231,435 to \$25,761,382. The governmental net assets increased by \$224,015 and the business-type net assets increased by \$1,007,420.
- The total net assets of \$25,761,382 are made up of \$17,884,968 in capital assets net of related debt and \$7,876,414 in other net assets.
- The General Fund (the primary operating fund) had an increase in its fund balance of \$311,385.

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 assets presents information on all of Ephraim City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of 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 assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

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

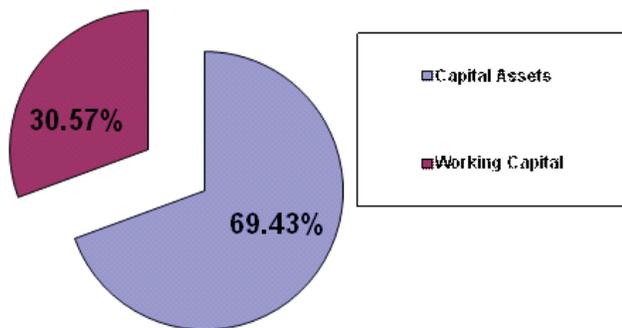
- Proprietary funds - Ephraim City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Ephraim City uses enterprise funds to account for its Electric Utility, Water Utility and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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Ephraim City, assets exceed liabilities by \$25,761,382.

By far the largest portion of Ephraim City's net assets (\$25,761,382) reflects its investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Total Asset Comparison



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

Net Assets

June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	2,483,768	1,862,131	5,922,069	7,114,977	8,405,837	8,977,108
Capital assets	11,503,658	11,988,977	11,220,213	10,301,231	22,723,871	22,290,208
Total assets	<u>13,987,426</u>	<u>13,851,108</u>	<u>17,142,282</u>	<u>17,416,208</u>	<u>31,129,708</u>	<u>31,267,316</u>
Other liabilities	510,898	327,507	386,379	1,084,726	897,278	1,412,233
Long-term liabilities outstanding	3,490,353	3,761,442	980,695	1,563,695	4,471,048	5,325,137
Total liabilities	<u>4,001,251</u>	<u>4,088,949</u>	<u>1,367,074</u>	<u>2,648,421</u>	<u>5,368,326</u>	<u>6,737,370</u>
Net assets:						
Invested in capital assets, net of related debt	8,294,632	8,498,622	9,590,336	7,772,793	17,884,968	16,271,415
Restricted	532,428	640,260	813,989	1,326,120	1,346,417	1,966,380
Unrestricted	1,159,115	623,277	5,370,883	5,668,874	6,529,997	6,292,151
Total net assets	<u>9,986,175</u>	<u>9,762,159</u>	<u>15,775,208</u>	<u>14,767,787</u>	<u>25,761,382</u>	<u>24,529,946</u>

Ephraim City
 Changes in Net Assets
 June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	273,209	279,589	4,841,782	4,599,413	5,114,990	4,879,002
Operating grants and contribs	331,546	257,657	80,997	14,459	412,543	272,116
Capital grants and contribs	21,279	50,355	574,352	1,000,304	595,631	1,050,659
General revenues:						
Property taxes	390,225	381,329	-	-	390,225	381,329
Other taxes	1,417,851	1,312,243	-	-	1,417,851	1,312,243
Unrestricted investment earnings	33,699	24,477	9,079	7,016	42,778	31,493
Miscellaneous	662,536	573,564	280,086	98,087	942,621	671,651
Total revenues	3,130,345	2,879,213	5,786,295	5,719,280	8,916,640	8,598,493
Expenses:						
General government	1,096,384	1,153,223	-	-	1,096,384	1,153,223
Public safety	635,761	633,245	-	-	635,761	633,245
Highways and pub. improvmts	697,218	699,715	-	-	697,218	699,715
Cemetery	48,624	54,677	-	-	48,624	54,677
Parks and recreation	284,747	284,844	-	-	284,747	284,844
Community & Economic Development	20,512	16,687	-	-	20,512	16,687
Operating Expenses (Business Type)	-	-	4,746,162	4,387,617	4,746,162	4,387,617
Interest Expense	118,084	135,164	37,713	41,477	155,797	176,641
Total expenses	2,901,329	2,977,555	4,783,875	4,429,093	7,685,204	7,406,648
Increase in net assets before transfers	229,015	(98,342)	1,002,420	1,290,187	1,231,436	1,191,845
Transfers	(5,000)	(5,000)	5,000	5,000	(0)	-
Increase in net assets	224,015	(103,342)	1,007,420	1,295,187	1,231,435	1,191,845
Net assets - beginning	9,762,160	9,865,501	14,767,787	13,472,601	24,529,947	23,338,102
Prior period adjustment	-	-	-	-	-	-
Net assets - ending	9,986,175	9,762,160	15,775,207	14,767,787	25,761,382	24,529,947

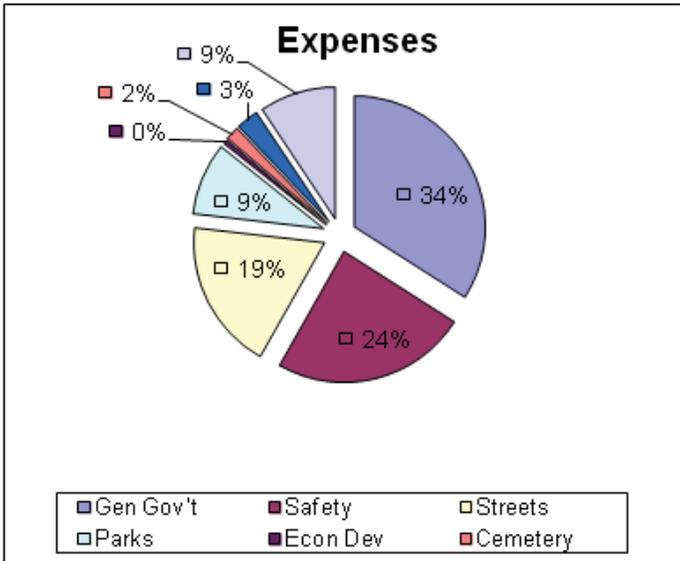
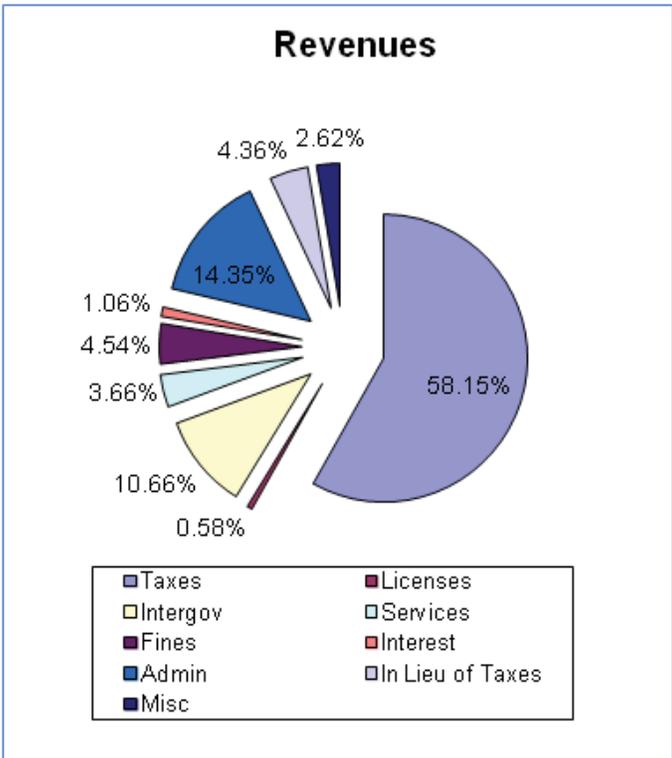
FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

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, 2012 the City's governmental funds (General, Capital Projects, and Special Revenue Fund) reported combined fund equity of \$2,052,245. This represents an increase of \$448,660 from last year's ending balances, most of which is from an increase of revenues over expenditures 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 58.15% of total government fund revenues. The largest element of taxes is sales tax, as it has been for the last several years. It represents 60.40% of total tax revenues and represents 35.12% 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 \$2,552,970 to a final budget of \$2,594,221.

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, 2012 amounts to \$22,723,871 (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:

Street Equip. & Improv.	\$ 20,230	General Gov't Bldg. Equip.	\$ 13,912
Fire Protection Equipment	13,560	Police Dept. Equip.	36,047
Cemetery Equip. & Improv.	77,130	Water Dept. Equip. & Improv.	25,750
Water Dept-Water Tank	135,014	Sewer Dept. Equip. & Improv.	13,950
Power Dept. Equip. & Improv.	68,532	Sewer Proj.Costs (Const-in-Prog.)	285,113
Power Dept-Water Tank	425,000	Power Proj.Costs (Const-in-Prog.)	373,174

Long-term debt - At June 30, 2012 the City had total debt outstanding of \$4,471,048. Of this amount, \$394,327 is due within 12 months of the fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

As of September 2012, the unemployment rate for Sanpete County is 6.80% compared with a state unemployment rate of 5.40% and a national rate of 7.80%. (Source: Utah Department of Workforce Services).

The General Fund budget for fiscal year ending June 30, 2012 reflects an increase of 0.18% from the final budget for the fiscal year ended June 30, 2011.

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 Assets
As of June 30, 2012

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,362,877	\$ 4,515,882	\$ 5,878,759
Receivables (net of allowance for doubtful accounts):			
Trade accounts	314,987	498,702	813,689
Other	19,412	98,566	117,978
Inventory	-	650,751	650,751
Internal balances	5,070	(5,070)	-
Restricted Assets:			
Cash and cash equivalents	781,421	163,238	944,659
Capital assets not being depreciated:			
Land	225,259	321,845	547,104
Water rights	-	893,552	893,552
Work in process	-	749,529	749,529
Capital assets being depreciated (net of accumulated depreciation):			
Buildings	4,342,814	-	4,342,814
Improvements other than buildings	1,805,759	8,712,873	10,518,632
Equipment	535,607	542,414	1,078,021
Infrastructure	4,594,218	-	4,594,218
Total Assets	<u>13,987,426</u>	<u>17,142,282</u>	<u>31,129,708</u>
LIABILITIES			
Accounts payable	210,552	332,364	542,916
Accrued liabilities	95,782	-	95,782
Compensated absences	79,375	54,015	133,391
Deferred revenue	125,189	-	125,189
Noncurrent Liabilities:			
Due within one year	281,327	113,000	394,327
Due in more than one year	3,209,026	867,695	4,076,721
Total Liabilities	<u>4,001,251</u>	<u>1,367,074</u>	<u>5,368,326</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,294,632	9,590,336	17,884,968
Restricted for:			
Special Improvement agency	13,944	-	13,944
Debt Service	317,080	-	317,080
Bond requirements	-	100,347	100,347
Impact fees	161,143	62,891	224,034
Inventory	-	650,751	650,751
Class C Roads	40,261	-	40,261
Unrestricted	1,159,114	5,370,883	6,529,997
Total net assets	<u>\$ 9,986,174</u>	<u>\$ 15,775,208</u>	<u>\$ 25,761,382</u>

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

EPHRAIM CITY
Statement of Net Assets
For the year ended June 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$1,096,385	\$ 53,131	\$ 94,182	\$ -	\$ (949,072)	\$ -	\$ (949,072)
Public safety	635,761	141,206	17,094	3,837	(473,624)	-	(473,624)
Highways and public improvements	697,218	-	208,270	10,962	(477,985)	-	(477,985)
Cemetery	48,624	-	-	-	(48,624)	-	(48,624)
Parks, recreation, and public property	284,747	75,699	12,000	6,480	(190,568)	-	(190,568)
Community and economic development	20,512	3,172	-	-	(17,340)	-	(17,340)
Interest	118,084	-	-	-	(118,084)	-	(118,084)
Total Governmental Activities	2,901,330	273,209	331,546	21,279	(2,275,297)	-	(2,275,297)
Business-type Activities:							
Water	659,799	791,639	-	426,747	-	558,587	558,587
Sewer	398,135	518,296	-	147,605	-	267,766	267,766
Electric	3,035,097	2,951,794	-	-	-	(83,302)	(83,302)
Housing authority	306,534	315,781	80,997	-	-	90,244	90,244
Solid waste	147,360	157,070	-	-	-	9,710	9,710
Fire district	67,442	80,356	-	-	-	12,914	12,914
Rodeo grounds	8,632	138	-	-	-	(8,494)	(8,494)
Ambulance	160,876	26,708	-	-	-	(134,168)	(134,168)
Total Business-type Activities	4,783,875	4,841,782	80,997	574,352	-	713,256	713,256
Total Primary Government	\$7,685,205	\$5,114,990	\$ 412,543	\$ 595,631	(2,275,297)	713,256	(1,562,041)
General Revenues:							
Property taxes					390,225	-	390,225
Sales taxes					1,092,024	-	1,092,024
Franchise taxes					325,827	-	325,827
Unrestricted investment earnings					33,699	9,079	42,778
Administrative costs					446,084	-	446,084
Fee in lieu of taxes					135,675	-	135,675
Miscellaneous					80,777	280,086	360,862
Transfers					(5,000)	5,000	-
Total General Revenues and Transfers					2,499,311	294,164	2,793,475
Change in Net Assets					224,014	1,007,420	1,231,435
Net Assets - Beginning					9,762,160	14,767,787	24,529,947
Net Assets - Ending					\$ 9,986,175	\$ 15,775,207	\$ 25,761,382

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

EPHRAIM CITY
Balance Sheet
Governmental Funds
As of June 30, 2012

	General Fund	Capital Projects	Special Improvement Agency Non-major	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 485,143	\$ 877,733	\$ -	\$ 1,362,877
Accounts Receivable:				
Trade accounts (net of allowance)	314,987	-	-	314,987
Other	-	531	18,881	19,412
Due from other funds	19,054	34,913	507	54,474
Restricted assets:				
Cash and cash equivalents	429,712	338,272	13,437	781,421
Total Assets	<u>\$ 1,248,897</u>	<u>\$ 1,251,449</u>	<u>\$ 32,825</u>	<u>\$ 2,533,172</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 210,552	\$ -	\$ -	\$ 210,552
Accrued liabilities	42,165	53,617	-	95,782
Due to other funds	-	49,404	-	49,404
Deferred revenue	106,308	-	18,881	125,189
Total Liabilities	<u>359,025</u>	<u>103,021</u>	<u>18,881</u>	<u>480,928</u>
Fund Balances:				
Restricted for:				
Special Improvement agency	-	-	13,944	13,944
Impact fees	161,143	-	-	161,143
Class C Roads	40,261	-	-	40,261
Debt Service	122,000	195,080	-	317,080
Assigned for:				
Community activities	12,964	-	-	12,964
Public equip/improve	40,289	-	-	40,289
Capital projects	-	953,349	-	953,349
Airport	109,342	-	-	109,342
Unassigned	403,873	-	-	403,873
Total Fund Balances	<u>889,872</u>	<u>1,148,429</u>	<u>13,944</u>	<u>2,052,245</u>
Total Liabilities and Fund Balances	<u>\$ 1,248,897</u>	<u>\$ 1,251,450</u>	<u>\$ 32,825</u>	<u>\$ 2,533,172</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 Assets
As of June 30, 2012

Total fund balances - governmental fund types (page 12):	\$ 2,052,245
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,503,658
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.	<u>(3,569,728)</u>
Net assets of government activities (page 10):	<u><u>\$ 9,986,175</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, 2012

	General Fund	Capital Projects	Special Improvement Agency Non-major	Total Governmental Funds
REVENUES				
Taxes	\$ 1,808,076	\$ -	\$ -	\$ 1,808,076
Licenses and permits	18,089	-	-	18,089
Intergovernmental revenues	331,546	-	-	331,546
Charges for services	110,741	-	3,172	113,913
Fines and forfeitures	141,206	-	-	141,206
Interest income	30,176	2,892	-	33,068
Administration	446,084	-	-	446,084
In lieu of taxes	135,675	-	-	135,675
Miscellaneous	77,127	3,650	631	81,408
Total Revenues	<u>3,098,720</u>	<u>6,542</u>	<u>3,803</u>	<u>3,109,066</u>
EXPENDITURES				
Current:				
General government	902,106	8,670	-	910,776
Public safety	647,226	-	-	647,226
Highways and public improvements	359,473.25	-	-	359,473
Parks, recreation, and public property	237,799	-	-	237,799
Community and economic development	14,430	-	-	14,430
Cemetery	44,080	-	-	44,080
Capital outlay	-	73,730	-	73,730
Debt Service:				
Principal	118,000	153,088	-	271,088
Interest	20,619	97,465	-	118,084
Total Expenditures	<u>2,343,733</u>	<u>332,953</u>	<u>-</u>	<u>2,676,685</u>
Excess Revenues Over (Under) Expenditures	<u>754,988</u>	<u>(326,411)</u>	<u>3,803</u>	<u>432,380</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,000	459,882	-	471,882
Transfers out	(476,882)	-	-	(476,882)
Impact fees	21,279	-	-	21,279
Total Other Financing Sources and Uses	<u>(443,603)</u>	<u>459,882</u>	<u>-</u>	<u>16,279</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	311,385	133,471	3,803	448,659
Fund Balances - Beginning	578,487	1,014,957	10,141	1,603,585
Fund Balances - Ending	<u>\$ 889,872</u>	<u>\$ 1,148,429</u>	<u>\$ 13,944</u>	<u>\$ 2,052,245</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, 2012

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

Net changes in fund balances - total governmental funds (page 14):	\$ 448,659
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.	(485,318)
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.	271,088
Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources and interest on long term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:	
Compensated Absences	(10,415)
Change in net assets of governmental activities (page 11):	\$ 224,014

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over(Under)
	Original	Final		
REVENUES				
Taxes	\$ 1,647,458	\$ 1,654,458	\$ 1,808,076	\$ 153,618
Licenses and permits	14,500	16,000	18,089	2,089
Intergovernmental revenues	253,500	268,200	331,546	63,346
Charges for services	104,350	102,650	110,741	8,091
Fines and forfeitures	126,700	126,700	141,206	14,506
Interest income	30,900	23,600	30,176	6,576
Administrative	446,084	446,084	446,084	-
In lieu of taxes	135,675	135,675	135,675	-
Miscellaneous	73,800	73,800	77,127	3,327
Total Revenues	2,832,967	2,847,167	3,098,720	251,553
EXPENDITURES				
Current				
General government	1,068,794	1,005,363	902,106	(103,257)
Public safety	665,061	671,461	647,226	(24,235)
Highways and public improvements	545,835	557,905	498,092	(59,813)
Cemetery	6,100	47,698	44,080	(3,618)
Airport	37,158	37,158	9,835	(27,323)
Parks, recreation, and public property	209,622	243,227	227,964	(15,263)
Community and economic development	20,400	31,400	14,430	(16,970)
Total Expenditures	2,552,970	2,594,212	2,343,733	(250,479)
Excess Revenues Over (Under) Expenditures	279,997	252,955	754,988	502,033
Other financing sources (uses)				
Transfers in	12,700	12,700	12,000	(700)
Transfers out	(299,882)	(799,882)	(476,882)	323,000
Impact fees	26,000	26,000	21,279	(4,721)
Total Other Financing Sources and Uses	(261,182)	(761,182)	(443,603)	317,579
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	18,815	(508,227)	311,385	819,612
Fund Balances - Beginning	578,487	578,487	578,487	-
Fund Balances - Ending	\$ 597,302	\$ 70,260	\$ 889,872	\$ 819,612

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

EPHRAIM CITY
Statement of Net Assets – Proprietary Funds
As of June 30, 2012

	Business-Type Activities - Enterprise Funds					Total
	Water	Sewer	Electric	Housing Authority	Other Proprietary (Non-Major)	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,025,468	\$ 402,877	\$ 2,600,598	\$ 260,188	\$ 226,752	\$ 4,515,882
Accounts Receivable:						
Utilities receivable	145,474	54,140	286,504	-	23,135	509,253
Allowance for doubtful accounts	(632)	(654)	(8,788)	-	(478)	(10,552)
Other receivables	-	-	-	17,569	-	17,569
Grant Receivable	-	-	-	80,997	-	80,997
Inventory - at cost	84,341	10,802	193,962	361,646	-	650,751
Construction-in-progress	91,242	285,113	373,174	-	-	749,529
Due from other funds	29,737	8,313	72,697	6,940	8,426	126,113
Restricted Assets:						
Restricted cash and cash equivalents	62,300	100,938	-	-	-	163,238
Total Current Assets	1,437,929	861,529	3,518,147	727,340	257,836	6,802,781
FIXED ASSETS						
Land	2,000	319,845	-	-	-	321,845
Improvements other than buildings	4,832,837	2,787,376	7,171,517	-	277,047	15,068,776
Less: accumulated depreciation	(2,097,296)	(1,014,988)	(3,189,964)	-	(53,656)	(6,355,903)
Machinery and equipment	570,572	304,324	1,057,269	-	547,371	2,479,535
Less: accumulated depreciation	(532,478)	(258,803)	(865,561)	-	(280,278)	(1,937,122)
Water rights	893,552	-	-	-	-	893,552
Total Noncurrent Assets	3,669,187	2,137,753	4,173,261	-	490,483	10,470,684
Total Assets	5,107,116	2,999,282	7,691,408	727,340	748,319	17,273,465
LIABILITIES						
Current Liabilities:						
Accounts payable	25,740	31,437	251,026	8,168	15,993	332,364
Compensated absences	11,191	7,588	35,237	-	-	54,015
Due to other funds	-	-	-	-	131,183	131,183
Current portion of bonds payable	-	113,000	-	-	-	113,000
Total Current Liabilities	36,931	152,025	286,263	8,168	147,176	630,562
Noncurrent Liabilities:						
Bonds payable	-	867,695	-	-	-	867,695
Total Noncurrent Liabilities	-	867,695	-	-	-	867,695
Total Liabilities	36,931	1,019,720	286,263	8,168	147,176	1,498,257
NET ASSETS						
Invested in capital assets, net of related debt	3,730,276	1,196,316	4,173,261	-	490,483	9,590,336
Retained Earnings						
Restricted for:						
Bond requirements	61,089	39,258	-	-	-	100,347
Impact fees	1,211	61,680	-	-	-	62,891
Inventory	84,341	10,802	193,962	361,646	-	650,751
Unrestricted	1,193,269	671,506	3,037,922	357,526	110,660	5,370,883
Total Net Assets	\$ 5,070,185	\$ 1,979,562	\$ 7,405,145	\$ 719,172	\$ 601,143	\$ 15,775,208

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

EPHRAIM CITY
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds					Total
	Water	Sewer	Electric	Housing Authority	Other Proprietary	
Operating Revenues:						
Charges for sales and services	\$ 791,639	\$ 518,296	\$ 2,951,794	\$ 315,781	\$ 264,271	\$ 4,841,782
Grants	-	-	-	80,997	-	80,997
Miscellaneous	7,534	9,675	262,877	-	-	280,086
Total Operating Revenues	<u>799,173</u>	<u>527,971</u>	<u>3,214,671</u>	<u>396,778</u>	<u>264,271</u>	<u>5,202,864</u>
Operating Expenses:						
Salaries and wages	113,302	91,688	318,985	3,343	452	527,771
Employee benefits	61,428	49,950	162,493	272	-	274,144
Power purchases	-	-	1,450,801	-	-	1,450,801
Administrative costs	68,108	42,946	309,757	-	23,658	444,469
Materials and supplies	195,482	11,581	328,041	195,782	672	731,558
Repairs and maintenance	10,236	7,477	130,192	-	156	148,061
Depreciation	107,506	75,012	180,918	-	44,117	407,552
Service in lieu of taxes	41,949	33,763	59,826	-	137	135,675
Insurance	10,079	4,752	24,502	542	6,168	46,043
Professional services	8,426	12,781	18,050	106,571	59,892	205,720
Utilities and telephone	1,756	1,989	8,249	-	339	12,332
Travel and training	2,181	452	8,490	-	388	11,511
Landfill costs	-	-	-	-	47,152	47,152
Leases & rents	4,447	2,313	3,238	-	-	9,998
Collection costs	-	-	-	-	81,078	81,078
Miscellaneous	34,897	25,718	31,556	25	55,100	147,296
Total Operating Expenses	<u>659,799</u>	<u>360,422</u>	<u>3,035,097</u>	<u>306,534</u>	<u>319,310</u>	<u>4,681,162</u>
Operating Income	<u>139,374</u>	<u>167,549</u>	<u>179,575</u>	<u>90,244</u>	<u>(55,038)</u>	<u>521,703</u>
Nonoperating Revenues (Expenses):						
Interest revenue	2,117	2,007	4,418	535	2	9,079
Interest expense	-	(37,713)	-	-	-	(37,713)
Transfer to Ambulance Association	-	-	-	-	(65,000)	(65,000)
Capital grants	381,166	131,464	-	-	-	512,630
Impact fees	45,581	16,141	-	-	-	61,722
Total Nonoperating Revenues (Expenses)	<u>428,864</u>	<u>111,899</u>	<u>4,418</u>	<u>535</u>	<u>(64,998)</u>	<u>480,718</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	-	10,000	10,000
Operating transfers out	-	-	-	-	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net Income (Loss)	<u>568,237</u>	<u>279,448</u>	<u>183,992</u>	<u>90,779</u>	<u>(115,036)</u>	<u>1,007,420</u>
Change in Net Assets	568,237	279,448	183,992	90,779	(115,036)	1,007,420
Total Net Assets - Beginning	4,501,948	1,700,114	7,221,153	628,393	716,179	14,767,787
Total Net Assets - Ending	<u>\$ 5,070,185</u>	<u>\$ 1,979,562</u>	<u>\$ 7,405,145</u>	<u>\$ 719,172</u>	<u>\$ 601,143</u>	<u>\$ 15,775,207</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, 2012

	Business-Type Activities - Enterprise Funds					Total
	Water	Sewer	Electric	Housing Authority	Non-major Proprietary	
Cash Flows From Operating Activities						
Receipts from customers	\$ 743,582	\$ 537,514	\$ 2,950,539	\$ 308,580	\$ 318,639	\$ 4,858,855
Other cash receipts	7,534	9,675	262,877	-	-	280,086
Payments to suppliers	(1,135,081)	(138,172)	(2,268,065)	(327,745)	(284,311)	(4,153,374)
Payments to employees	(174,731)	(141,639)	(481,478)	(3,614)	(452)	(801,914)
Net cash provided (used) by operating activities	<u>(558,696)</u>	<u>267,379</u>	<u>463,873</u>	<u>(22,779)</u>	<u>33,876</u>	<u>183,652</u>
Cash Flows From Non-Capital and Related Financing Activities						
Operating transfers in	-	-	-	-	10,000	10,000
Operating transfers out	-	-	-	-	(70,000)	(70,000)
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>(60,000)</u>
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(160,764)	(299,063)	(866,706)	-	-	(1,326,534)
Principal paid on capital debt	(474,000)	(109,000)	425,000	-	-	(158,000)
Grant revenue receipts	1,060,891	131,464	-	-	-	1,192,355
Collection of impact fees	45,581	16,141	-	-	-	61,722
Interest paid on capital debt	-	(37,713)	-	-	-	(37,713)
Net cash provided (used) by capital and related financing activities	<u>471,707</u>	<u>(298,171)</u>	<u>(441,706)</u>	<u>-</u>	<u>-</u>	<u>(268,170)</u>
Cash Flows From Investing Activities						
Interest and dividends received	2,117	2,007	4,418	535	2	9,079
Net cash provided (used) by investing activities	<u>2,117</u>	<u>2,007</u>	<u>4,418</u>	<u>535</u>	<u>2</u>	<u>9,079</u>
Net increase (decrease) in cash and cash equivalents	(84,872)	(28,786)	26,584	(22,244)	(26,122)	(135,439)
Cash and cash equivalents, July 1	1,172,640	532,601	2,574,013	282,431	252,874	4,814,559
Cash and cash equivalents, June 30	<u>\$ 1,087,768</u>	<u>\$ 503,815</u>	<u>\$ 2,600,598</u>	<u>\$ 260,187</u>	<u>\$ 226,752</u>	<u>\$ 4,679,120</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 139,374	\$ 167,549	\$ 179,575	\$ 90,244	\$ (55,038)	\$ 521,703
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	107,506	75,012	180,918	-	44,117	407,552
(Increase) decrease in accounts receivable	(53,709)	17,976	(7,340)	(89,808)	54,676	(78,204)
(Increase) decrease in due from/to other funds	5,651	1,242	6,085	1,610	(308)	14,280
(Increase) decrease in inventories	(8,403)	(288)	56,150	(30,791)	-	16,668
Increase (decrease) in accrued liabilities	(749,115)	5,888	48,486	5,966	(9,571)	(698,347)
Total adjustments	<u>(698,070)</u>	<u>99,830</u>	<u>284,298</u>	<u>(113,023)</u>	<u>88,914</u>	<u>(338,050)</u>
Net cash provided (used) by operating activities	<u>\$ (558,696)</u>	<u>\$ 267,379</u>	<u>\$ 463,873</u>	<u>\$ (22,779)</u>	<u>\$ 33,876</u>	<u>\$ 183,652</u>

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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets 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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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
- 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 current fiscal year.

Proprietary Funds

Enterprise Fund

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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Major and Non-major Funds

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

Fund	Brief Description
Major:	
General	See above for description.
Capital Projects Fund	See above for description.
Enterprise Funds:	
Water, Sewer, Electric, and Housing Authority *	Accounts for revenues and expenditures of water, sewer and electric utilities, and housing authority.
Nonmajor:	
Special Revenue Funds:	Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.
Enterprise Funds:	
Solid Waste Fund, Fire District, Industrial Park, Rodeo Grounds, and the Ambulance Fund.	Accounts for revenues and expenditures of each respective fund.

*The Housing Authority was determined to be non-major, however Management felt that the information was important to the financial statement users and has been presented as a major fund in the financial statement presentation.

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 Assets 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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, “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 amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets. 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 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.

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

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

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.

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Equity Classifications

Government-wide Statements

Equity is classified as net assets 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 assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets 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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

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

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

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

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

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

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

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CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 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, 2012, the City had \$2,235,466 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, 2012, the City had \$980,695 of such indebtedness.

Notes and Bonds Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2012.

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

a. Bonds Payable Coverage:

Net water operating revenues (excluding depreciation) must equal 1.25 times the annual debt service plus the unfunded portion of the Debt

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Service Reserve Requirement to be due and payable for the forthcoming year on the 1991 Water Revenue Bonds, Series A,B & C and Series 1995.

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 18% 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.

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, 2012, the City’s custodial credit risk for deposits is as follows:

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Custodial Credit Risk	Balance June 30, 2012
Depository Accounts	Insured	\$ 366,865
	Uninsured and uncollateralized	290,818
Total Depository Accounts		\$ 657,683

Investments

As of June 30, 2012 the government had the following investments and maturities:

		Investment Maturity in Years			
Fair Value	Less Than 1	1-5	6-10	More Than 10	
Investments in Public					
Treasurers' Investment Fund	\$ 6,383,051	\$ 6,383,051	\$ -	\$ -	
Total Fair Value	\$ 6,383,051	\$ 6,383,051	\$ -	\$ -	

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

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers’ Investment Fund (UPTIF), trade commercial paper, bankers’ acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

Reconciliation to Government-wide Statement of Net Assets:

	Investments	\$ 6,383,051
	Deposits	440,368
	Total	<u>\$ 6,823,419</u>

Per Statement of Net Assets:

	Unrestricted Cash	\$ 5,878,760
	Restricted Cash	944,659
	Total	<u>\$ 6,823,419</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2012, are as follows:

Type of Restricted Asset:	Cash/ Time Deposits	Investments	Accrued Interest	Total
<i>Business-Type Activities:</i>				
Bond Requirements	\$ 100,347	\$ -	\$ -	\$ 100,347
Impact Fees	62,891	-	-	62,891
Total	<u>163,238</u>	<u>-</u>	<u>-</u>	<u>163,238</u>
<i>Governmental Activities:</i>				
Retainage Payable	106,308	-	-	106,308
Impact Fees	161,143	-	-	161,143
Debt Service	317,080	-	-	317,080
Class C Road	40,261	-	-	40,261
Cemetery Projects	143,192	-	-	143,192
Special Improvement Agency	13,437	-	-	13,437
Total	<u>781,421</u>	<u>-</u>	<u>-</u>	<u>781,421</u>
Grand Totals	<u>\$ 944,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 944,659</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. Receivables detail at June 30, 2012, is as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts Receivable	\$ 314,987	\$ 509,253	\$ 824,240
Special Assessments	18,881	-	18,881
Housing Authority	-	98,566	98,566
Other	531	-	531
Allowance for Doubtful Accounts	-	(10,552)	(10,552)
Net Accounts Receivable	<u>\$ 334,399</u>	<u>\$ 597,267</u>	<u>\$ 931,666</u>

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Additions	Disposals/Transfers	Balance at June 30, 2012
Governmental Activities:				
Land	\$ 205,159	\$ -	\$ -	\$ 205,159
Impact Fees - Street Facilities	20,100	-	-	20,100
Buildings	5,730,240	-	-	5,730,240
Improvements	2,205,470	73,730	-	2,279,199
Machinery and equipment	1,267,346	83,269	-	1,350,615
Infrastructure	10,272,919	3,881	-	10,276,800
Work in Progress	-	-	-	-
Totals at historical cost	<u>19,701,234</u>	<u>160,879</u>	<u>-</u>	<u>19,862,113</u>
Less Accum. Depreciation				
Buildings	(1,249,824)	(137,601)	-	(1,387,425)
Improvements	(410,073)	(63,367)	-	(473,440)
Machinery and equipment	(712,548)	(102,460)	-	(815,008)
Infrastructure	(5,339,813)	(342,769)	-	(5,682,582)
Total Accum. Depreciation	<u>(7,712,258)</u>	<u>(646,197)</u>	<u>-</u>	<u>(8,358,455)</u>
Governmental Activities capital assets, net	<u>\$ 11,988,976</u>	<u>\$ (485,318)</u>	<u>\$ -</u>	<u>\$ 11,503,658</u>
Business-type activities:				
Land	\$ 321,845	\$ -	\$ -	\$ 321,845
Other Improvements	13,166,397	1,192,846	-	14,359,243
Machinery and equipment	2,420,283	59,250	-	2,479,533
Water Rights	893,552	-	-	893,552
Impact fee assets	319,533	390,000	-	709,533
Work in Progress	1,065,091	749,529	(1,065,091)	749,529
Totals at historical cost	<u>18,186,703</u>	<u>2,391,625</u>	<u>(1,065,091)</u>	<u>19,513,237</u>
Less Accum. Depreciation				
Other Improvements	(6,055,750)	(300,153)	-	(6,355,903)
Machinery and equipment	(1,829,722)	(107,399)	-	(1,937,121)
Total Accum. Depreciation	<u>(7,885,472)</u>	<u>(407,552)</u>	<u>-</u>	<u>(8,293,024)</u>
Business-type activities capital assets, net	<u>\$ 10,301,231</u>	<u>\$ 1,984,073</u>	<u>\$ (1,065,091)</u>	<u>\$ 11,220,213</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 189,106
Public safety	38,142
Highways and public improvements	357,975
Parks, recreation and public property	47,793
Community and Economic Development	5,237
Cemetery	7,944
Total depreciation expense	<u>\$ 646,197</u>

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the City had \$3,569,728 in governmental long-term debt.

Bonds Payable

Street Bonds Payable, Series 1996	
Original Principal \$2,000,000 @ 3% - 5%	\$ 645,771
Library Bonds, Series 2007	
Original Principal \$1,120,000 @2.5%	873,000
Public Safety Bonds, Series 2000	
Original Principal \$670,000 @ 2.5%	364,000
City Office Notes, Series 2001	
Original Principal \$1,925,000 @ 3.85%	1,468,582
Building Authority, Series 1993	
Original Principal \$256,500 @ 3%	33,000
Building Authority, Series 2005	
Original Principal \$141,000 @ 0%	106,000
	<u>3,490,353</u>

<i>Compensated Absences</i>	79,375
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Total Governmental Long-Term Debt	<u><u>\$ 3,569,728</u></u>
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Business-type Activities:

As of June 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable & Revenue Bonds:

1993 Sewer Bonds - Series C	
Original Principal \$1,307,000 @ 5.45%	\$ 980,695
	<u>980,695</u>

<i>Compensated Absences</i>	54,015
Total Long-term debt	<u><u>\$ 1,034,710</u></u>

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Type of Debt	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities:				
Compensated Absences	\$ 68,961	\$ 10,414	\$ -	\$ 79,375
Bonds Payable	3,761,441	-	(271,088)	3,490,353
Total Governmental Debt	<u>\$ 3,830,401</u>	<u>\$ 10,414</u>	<u>\$ (271,088)</u>	<u>\$ 3,569,728</u>
Business-type Activities:				
Compensated Absences	58,193	-	(4,178)	54,015
Revenue Bonds/Notes Pay.	1,563,695	-	(583,000)	980,695
Total Business-type Debt	<u>\$ 1,621,888</u>	<u>\$ -</u>	<u>\$ (587,178)</u>	<u>\$ 1,034,710</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.

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CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012, are as follows:

Year Ending June 30	Notes and Bonds Payable			
	Business-Type		Governmental	
	Principal	Interest	Principal	Interest
2013	113,000	35,505	281,327	114,578
2014	118,000	31,237	290,625	106,305
2015	122,000	26,989	280,985	97,725
2016	126,000	22,597	288,409	89,441
2017	131,000	18,061	296,672	80,909
2018-2022	370,695	25,275	877,484	309,965
2023-2027			623,970	183,825
2028-2032			392,379	85,556
2033-2035			158,502	10,584
Total	<u>\$ 980,695</u>	<u>\$ 159,664</u>	<u>\$ 3,490,353</u>	<u>\$ 1,078,888</u>

3.G. INTER-FUND TRANSACTIONS AND BALANCES

Operating Transfers

The City had the following inter-fund transactions for the year ended June 30, 2012.

	Transfer to	Transfer from
Transfer to Airport	\$ 12,000	\$ -
Transfer to Ambulance	10,000	5,000
Transfer to Building Authority	259,882	-
Transfer to Equip/Bldg Capital Proj Fund	200,000	-
Transfer from General Fund	-	476,882
	-	-
	<u>\$ 481,882</u>	<u>\$ 481,882</u>

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
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<i>Due to / Due From</i>	<u>Due To</u>	<u>Due From</u>
General	\$ -	\$ 19,462
Parks and Recreation	49,404	-
Special Improvement Agency	-	507
Building Authority	-	4,143
Equipment & Building Cap Proj	-	25,452
Water Fund	-	29,737
Sewer Fund	-	8,313
Electric Fund	-	72,697
Garbage Fund	-	4,511
Fire District	-	3,425
Housing Authority	-	6,940
Rodeo Grounds - Capital Projects	131,183	-
Airport	-	3,227
EMT - Ambulance	-	489
Cemetery	-	1,683
	<u>\$ 180,586</u>	<u>\$ 180,586</u>

3.H. FUND EQUITY

Restricted Fund Equity

	<u>Government Activities</u>	<u>Business-Type Activites</u>	<u>Totals</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 8,294,632	\$ 9,590,336	\$ 17,884,968
Restricted for:			
Special Improvement agency	13,944	-	13,944
Debt Service	317,080	-	317,080
Bond Requirements	-	100,347	100,347
Impact fees	161,143	62,891	224,034
Inventory	-	650,751	650,751
Class C Roads	40,261	-	40,261
Unrestricted (Deficit)	<u>1,159,115</u>	<u>5,370,883</u>	<u>6,529,997</u>
Total Net Assets	<u>\$ 9,986,175</u>	<u>\$ 15,775,207</u>	<u>\$ 25,761,382</u>

CITY OF EPHRAIM, UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:

Local Governmental – Cost Sharing Defined Benefits Pension Plans

Plan Description. The City contributes to the Local Governmental Contributory and Noncontributory Retirement System, and the Public Safety Noncontributory Retirement System for employers with (without) social security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems to which they belong; 10.331% to the Contributory 13.37% to the Noncontributory, and 27.07% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the various Systems for the years ending June 30, 2012, 2011, and 2010, respectively, were; for the Contributory System, \$1,837.58, \$0, \$0 for the Noncontributory System, \$120,356, \$119,544, and \$102,153; for the Public Safety Noncontributory, \$41,564, \$39,875, and \$31,893; and for the 401(k) Plan, \$42,319, \$40,495, and \$38,459. The contributions were equal to the required contributions for each year.

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.

Supplementary Information

EPHRAIM CITY
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Rodeo Grounds	Ambulance Fund	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 119,584	\$ 90,787	\$ -	\$ 16,382	\$ 226,752
Accounts Receivable:					
Utilities receivable	14,831	8,305	-	-	23,135
Allowance for doubtful accounts	(383)	(95)	-	-	(478)
Due from other funds	4,511	3,425	-	489	8,426
Total Current Assets	<u>138,543</u>	<u>102,421</u>	<u>-</u>	<u>16,871</u>	<u>257,836</u>
FIXED ASSETS					
Improvements	-	-	277,047	-	277,047
Less: accumulated depreciation	-	-	(53,656)	-	(53,656)
Machinery and equipment	86,672	-	-	460,699	547,371
Less: accumulated depreciation	(78,053)	-	-	(202,225)	(280,278)
Total Noncurrent Assets	<u>8,619</u>	<u>-</u>	<u>223,391</u>	<u>258,473</u>	<u>490,483</u>
Total Assets	<u>147,162</u>	<u>102,421</u>	<u>223,391</u>	<u>275,344</u>	<u>748,319</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	10,930	5,063	-	-	15,993
Due to other funds	-	-	131,183	-	131,183
Total Current Liabilities	<u>10,930</u>	<u>5,063</u>	<u>131,183</u>	<u>-</u>	<u>147,176</u>
NET ASSETS					
Invested in capital assets, net of related debt	8,619	-	223,391	258,473	490,483
Retained Earnings					
Unrestricted	127,613	97,359	(131,183)	16,871	110,660
Total Net Assets	<u>\$ 136,232</u>	<u>\$ 97,359</u>	<u>\$ 92,209</u>	<u>\$ 275,344</u>	<u>\$ 601,143</u>

EPHRAIM CITY
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Rodeo Grounds	Ambulance Fund	
Operating Revenues:					
Charges for sales and services	\$ 157,070	\$ 80,356	\$ 138	\$ 26,708	\$ 264,271
Total Operating Revenues	<u>157,070</u>	<u>80,356</u>	<u>138</u>	<u>26,708</u>	<u>264,271</u>
Operating Expenses:					
Salaries and wages	-	-	-	452	452
Administrative costs	15,658	8,000	-	-	23,658
Materials and supplies	-	-	-	672	672
Repairs and maintenance	-	-	-	156	156
Depreciation	-	-	8,632	35,485	44,117
Service in lieu of taxes	137	-	-	-	137
Insurance	3,334	-	-	2,834	6,168
Professional services	-	59,442	-	450	59,892
Utilities and telephone	-	-	-	339	339
Landfill costs	47,152	-	-	-	47,152
Collection costs	81,078	-	-	-	81,078
Travel	-	-	-	388	388
Miscellaneous	-	-	-	55,100	55,100
Total Operating Expenses	<u>147,360</u>	<u>67,442</u>	<u>8,632</u>	<u>95,876</u>	<u>319,310</u>
Operating income	<u>9,710</u>	<u>12,914</u>	<u>(8,494)</u>	<u>(69,168)</u>	<u>(55,038)</u>
Nonoperating Revenues (Expenses):					
Interest revenue	-	-	-	2	2
Transfer to Ambulance Association	-	-	-	(65,000)	(65,000)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,998)</u>	<u>(64,998)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	10,000	10,000
Operating transfers out	-	-	-	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net Income (Loss)	9,710	12,914	(8,494)	(129,166)	(115,036)
Change in Net Assets	9,710	12,914	(8,494)	(129,166)	(115,036)
Total Net Assets - Beginning	126,521	84,445	100,703	404,510	716,179
Total Net Assets - Ending	<u>\$ 136,231</u>	<u>\$ 97,359</u>	<u>\$ 92,209</u>	<u>\$ 275,344</u>	<u>\$ 601,143</u>

EPHRAIM CITY
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Total
	Solid Waste	Fire District	Rodeo Grounds	Ambulance Fund	
Cash Flows From Operating Activities					
Receipts from customers	\$ 156,270	\$ 81,224	\$ -	\$ 81,145	\$ 318,639
Other cash receipts	-	-	-	-	-
Payments to suppliers	(146,994)	(67,227)	-	(70,090)	(284,311)
Payments to employees	-	-	-	(452)	(452)
Net cash provided (used) by operating activities	9,275	13,997	-	10,603	33,876
Cash Flows From Non-Capital and Related Financing Activities					
Operating transfers in	-	-	-	10,000	10,000
Operating transfers out	-	-	-	(70,000)	(70,000)
Net cash provided (used) by non-capital and related financing activities	-	-	-	(60,000)	(60,000)
Cash Flows From Capital and Related Financing Activities					
Net cash provided (used) by capital and related financing activities	-	-	-	-	-
Cash Flows From Investing Activities					
Interest and dividends received	-	-	-	2	2
Net cash provided (used) by investing activities	-	-	-	2	2
Net increase (decrease) in cash and cash equivalents	9,275	13,997	-	(49,394)	(26,122)
Cash and cash equivalents, July 1	110,308	76,790	-	65,776	252,874
Cash and cash equivalents, June 30	<u>\$ 119,583</u>	<u>\$ 90,787</u>	<u>\$ -</u>	<u>\$ 16,382</u>	<u>\$ 226,752</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 9,710	\$ 12,914	\$ (8,494)	\$ (69,168)	\$ (55,038)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	-	8,632	35,485	44,117
(Increase) decrease in accounts receivable	(851)	1,117	-	54,410	54,676
(Increase) decrease in due from/to other funds	51	(249)	(138)	28	(308)
(Increase) decrease in inventories	-	-	-	-	-
Increase (decrease) in accrued liabilities	365	215	-	(10,151)	(9,571)
Total adjustments	(435)	1,083	8,494	79,772	88,914
Net cash provided (used) by operating activities	<u>\$ 9,275</u>	<u>\$ 13,997</u>	<u>\$ -</u>	<u>\$ 10,603</u>	<u>\$ 33,876</u>

Other Reports

Intentionally left blank



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

Honorable Mayor and
City Council Members
Ephraim City, Utah

We have audited the basic 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, 2012, and have issued our report thereon dated November 30, 2012. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Mayor and City Council, management, and various federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.


Larson & Rosenberger, LLP

November 30, 2012



**INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH
APPLICABLE UTAH STATE LAWS AND REGULATIONS**

Honorable Mayor and
City Council Members
Ephraim City, Utah

We have audited the City of Ephraim's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended 2012. The general compliance requirements applicable to the City are identified as follows:

- | | |
|------------------------------|---------------------------------|
| Public Debt | Other General Issues |
| Cash Management | Uniform Building Code Standards |
| Purchasing Requirements | Impact Fees |
| Budgetary Compliance | Asset Forfeiture |
| Truth in Taxation & Property | URS Compliance |
| Tax Limitations | Fund Balance |
| Justice Court | |

The City received the following major State assistance programs from the State of Utah:

- B and C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit 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 of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Ephraim, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012.

This report is intended solely for the information and use of the City, management, Office of the Utah State Auditor, awarding and pass-through entities, and other specified parties as applicable and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



Larson & Rosenberger, LLP

November 30, 2012



**INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and City Council
Ephraim City
Ephraim, Utah

Compliance

We have audited Ephraim City's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Ephraim City's major federal programs for the year ended June 30, 2012. Ephraim City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ephraim City's management. Our responsibility is to express an opinion on Ephraim City's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ephraim City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ephraim City's compliance with those 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 each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Ephraim City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ephraim City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ephraim City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Larson & Rosenberger, LLP

November 30, 2012

**EPHRAIM CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of the Ephraim City.
2. No reportable conditions related to the audit of the financial statements are reported in the Auditors' Report on Internal Controls and Compliance with Laws and Regulations.
3. No instances of noncompliance material to the financial statements of the Ephraim City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for the Ephraim City, expresses an unqualified opinion.
6. The audit disclosed no audit findings that are required to be reported under OMB Circular A-133.
7. The programs tested as a major programs include:

Department of the Army	<u>CFDA#</u>
(Army Corp of Engineers – Water Tank Project)	12.400
8. The threshold for distinguishing Types A and B programs is \$500,000 of federal awards expended.
9. Ephraim City was determined to be a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

See management letter for financial statement findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during current audit

SUMMARY OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted during prior audit.

EPHRAIM CITY, UTAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

	Federal CFDA Number	Pass-Through Grantors Contract	Amount of Expenditures
Direct Assistance:			
U.S. Department of Defense			
* Army Corps of Engineers	12.400		381,166
Environmental Protection Agency			
Capitalization Grants for Clean Water	66.458		131,464
			<u>512,630</u>
Indirect Assistance:			
None			<u>-</u>
			<u>-</u>
			<u>-</u>
			<u>\$ 512,630</u>

TOTAL EXPENDITURES OF FEDERAL AWARDS

* Major Program

EPHRAIM CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Ephraim City (City). The City reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for expenditures in governmental fund types and on the accrual basis for expenses in proprietary fund types, which is described in Note 1 to the basic financial statements.