

**MORGAN CITY  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS  
YEAR ENDED JUNE 30, 2014**

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## Independent Auditor's Report

To the Mayor and City Council  
Morgan City

### **Report on the Financial Statements**

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 Morgan City (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City's internal control over financial reporting and compliance.

*Christensen, Palmer & Ambrose P.C.*

November 25, 2014

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MORGAN CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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This document is a narrative overview and analysis of the financial activities of Morgan City for the fiscal year ending June 30, 2014. Morgan City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, cemetery and general government administration, while business-type activities include water, sewer, electric, and sanitation. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column and the remaining funds are combined into a column titled "Other Government Funds." A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net position, revenues, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**MORGAN CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2014 and 2013 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>						
Cash and investments	\$ 1,123,721	\$ 733,349	\$ 2,111,885	\$ 1,614,237	\$ 3,235,606	\$ 2,347,586
Other assets	545,668	623,727	402,256	406,885	947,924	1,030,612
Capital assets	<u>3,705,895</u>	<u>3,811,529</u>	<u>6,864,477</u>	<u>7,034,163</u>	<u>10,570,372</u>	<u>10,845,692</u>
Total assets	<u>5,375,284</u>	<u>5,168,605</u>	<u>9,378,618</u>	<u>9,055,285</u>	<u>14,753,902</u>	<u>14,223,890</u>
<b>LIABILITIES</b>						
Current liabilities	52,042	64,921	164,865	250,008	216,907	314,929
Noncurrent liabilities	<u>90,156</u>	<u>160,372</u>	<u>685,000</u>	<u>702,000</u>	<u>775,156</u>	<u>862,372</u>
Total liabilities	<u>142,198</u>	<u>225,293</u>	<u>849,865</u>	<u>952,008</u>	<u>992,063</u>	<u>1,177,301</u>
Deferred inflows of resources	<u>356,937</u>	<u>368,283</u>	<u>-</u>	<u>-</u>	<u>356,937</u>	<u>368,283</u>
Total liabilities & deferred inflows	<u>499,135</u>	<u>593,576</u>	<u>849,865</u>	<u>952,008</u>	<u>1,349,000</u>	<u>1,545,584</u>
<b>NET POSITION</b>						
Net investment in capital assets	3,705,895	3,722,378	5,156,211	5,244,926	8,862,106	8,967,304
Restricted	588,861	375,683	152,994	145,094	741,855	520,777
Unrestricted	<u>581,393</u>	<u>476,968</u>	<u>3,219,548</u>	<u>2,713,257</u>	<u>3,800,941</u>	<u>3,190,225</u>
Total net position	<u>\$ 4,876,149</u>	<u>\$ 4,575,029</u>	<u>\$ 8,528,753</u>	<u>\$ 8,103,277</u>	<u>\$ 13,404,902</u>	<u>\$ 12,678,306</u>

During the year ended June 30, 2014 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- The governmental activities accumulated restricted funds in the amount of \$213,178.
- The governmental activities saw a net decrease to capital assets of \$105,634, with additions of \$94,101 and depreciation of \$199,735.
- Total cash in the governmental activities increased by \$390,372, of which \$213,178 was restricted and \$177,194 was unrestricted.

**MORGAN CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

**Business-Type Activities:**

- Total cash in the business-type activities increased by \$497,648, most of which was received into the Electric Fund in the amount of \$490,253.
- The interfund payable from the Electric Fund to the Water Fund was paid down by \$64,972.

**A condensed version of the Statement of Activities follows:**

Governmental and Business-Type Activities for the years ended June 30, 2014 and 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 248,205	\$ 203,367	\$ 3,441,758	\$ 3,396,266	\$ 3,689,963	\$ 3,599,633
Grants and contributions	143,022	163,027	-	-	143,022	163,027
General revenues:						
Taxes	998,217	1,053,321	-	-	998,217	1,053,321
Interest	13,061	18,525	29,020	16,715	42,081	35,240
Transfers & misc.	56,803	65,301	-	-	56,803	65,301
<b>Total revenues</b>	<u>1,459,308</u>	<u>1,503,541</u>	<u>3,470,778</u>	<u>3,412,981</u>	<u>4,930,086</u>	<u>4,916,522</u>
Expenses:						
General government	335,770	330,508	-	-	335,770	330,508
Public safety	138,473	169,320	-	-	138,473	169,320
Public works	394,377	365,959	-	-	394,377	365,959
Parks and recreation	170,755	150,838	-	-	170,755	150,838
Cemetery	107,084	128,649	-	-	107,084	128,649
Shop	8,426	7,089	-	-	8,426	7,089
Interest	3,303	3,484	-	-	3,303	3,484
Water	-	-	670,085	589,295	670,085	589,295
Sewer	-	-	425,351	431,876	425,351	431,876
Electric	-	-	1,704,874	1,661,408	1,704,874	1,661,408
Sanitation	-	-	244,992	238,667	244,992	238,667
<b>Total expenses</b>	<u>1,158,188</u>	<u>1,155,847</u>	<u>3,045,302</u>	<u>2,921,246</u>	<u>4,203,490</u>	<u>4,077,093</u>
Change in net position	<u>301,120</u>	<u>347,694</u>	<u>425,476</u>	<u>491,735</u>	<u>726,596</u>	<u>839,429</u>
Beginning net position	<u>4,575,029</u>	<u>4,227,335</u>	<u>8,103,277</u>	<u>7,611,542</u>	<u>12,678,306</u>	<u>11,838,877</u>
Ending net position	<u>\$ 4,876,149</u>	<u>\$ 4,575,029</u>	<u>\$ 8,528,753</u>	<u>\$ 8,103,277</u>	<u>\$ 13,404,902</u>	<u>\$ 12,678,306</u>



**MORGAN CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

Governmental activities:

For the year ended June 30, 2014, the total revenues for the governmental activities were \$1,459,308. Program revenues totaled \$391,227. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$1,068,081. The major sources of general revenues are taxes and interest earnings. Taxes comprise 69% of the City's general fund revenues. Property taxes decreased by \$63,504.

Business-type activities:

For the year ended June 30, 2014, the total revenues for the business-type activities were \$3,470,778. Program revenues total \$3,441,758. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$29,020 in interest income. The water, sewer and electric funds had operating income of \$14,328, \$46,573, and \$406,675, while the sanitation fund had an operating loss of \$7,488.

Budgetary Highlights

Over the course of the year the City Council revised the budget to make small modifications to accommodate unexpected expenditures. In total, the general fund's expenditures were \$364,538 less than was budgeted. All departments and funds maintained expenditures within their appropriations.

Capital Assets

At June 30, 2014 the City had \$10,570,372 invested in capital assets, including park and recreation facilities, buildings, roads, bridges, sanitation, and electric and water and sewer lines. This amount represents a net decrease (additions, deductions, and depreciation) of \$275,320, or -2.54% over last year.

	<b>Capital Assets at Year-end</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2013	2012	2013	2012	2013	2012
Land	\$ 200,480	\$ 200,480	\$ 90,969	\$ 90,969	\$ 291,449	\$ 291,449
Water Stock	-	-	90,114	90,114	90,114	90,114
Improvements	641,528	562,926	-	-	641,528	562,926
Buildings	918,937	918,937	138,957	123,824	1,057,894	1,042,761
Equipment	609,363	593,865	582,704	582,704	1,192,067	1,176,569
Utility Systems	-	-	9,831,021	9,704,031	9,831,021	9,704,031
Infrastructure	4,208,771	4,208,770	-	-	4,208,771	4,208,770
Subtotal	6,579,079	6,484,978	10,733,765	10,591,642	17,312,844	17,076,620
Accum Depreciation	(2,873,184)	(2,673,449)	(3,869,288)	(3,557,479)	(6,742,472)	(6,230,928)
Capital Assets, Net	<u>\$ 3,705,895</u>	<u>\$ 3,811,529</u>	<u>\$ 6,864,477</u>	<u>\$ 7,034,163</u>	<u>\$ 10,570,372</u>	<u>\$ 10,845,692</u>

The most significant additions to capital assets were \$67,150 in water system improvements, \$21,916 in sewer improvements, \$32,702 in electric system improvements, and \$20,354 in sanitation building improvements.

**MORGAN CITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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Debt Outstanding

At year-end, the City had \$702,000 in long term liabilities outstanding versus \$807,151 last year, a decrease of \$105,151.

There was a total of \$105,151 in debt retired during the year.

<b>Governmental Activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Series 2010 Road Bonds	\$ 74,000	\$ -	\$ (74,000)	\$ -	\$ -
Capital Lease - International	15,151	-	(15,151)	-	-
Total Debt	89,151	-	(89,151)	-	-
Compensated Absences	86,270	3,886	-	90,156	-
<i>Total Governmental Activities</i>	<u>\$ 175,421</u>	<u>\$ 3,886</u>	<u>\$ (89,151)</u>	<u>\$ 90,156</u>	<u>\$ -</u>
<b>Business-type Activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Series 2010 Sewer Bonds	\$ 718,000	\$ -	\$ (16,000)	\$ 702,000	\$ 16,000
Total Debt	718,000	-	(16,000)	702,000	16,000
<i>Total Business-type Activities</i>	<u>\$ 718,000</u>	<u>\$ -</u>	<u>\$ (16,000)</u>	<u>\$ 702,000</u>	<u>\$ 16,000</u>

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Recorder at 90 W Young, Morgan, Utah 84050.

# **BASIC FINANCIAL STATEMENTS**

**MORGAN CITY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

Assets	Governmental Activities	Business-type Activities	Total
<b>Current Assets:</b>			
Cash	\$ 543,367	\$ 1,965,173	\$ 2,508,540
Restricted Cash	580,354	146,712	727,066
Accounts Receivable (Net)	23,768	299,217	322,985
Due From Other Governments	498,767	-	498,767
Interfund Balances	21,399	(21,399)	-
Inventory	-	119,236	119,236
Prepaid Expenses	1,734	5,202	6,936
<b>Total Current Assets</b>	<b>1,669,389</b>	<b>2,514,141</b>	<b>4,183,530</b>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Water Shares	-	90,114	90,114
Land	200,480	90,969	291,449
Buildings and Improvements	1,560,465	138,957	1,699,422
Machinery and Equipment	609,364	582,704	1,192,068
Infrastructure and Utility Systems	4,208,770	9,831,021	14,039,791
Less Accumulated Depreciation	(2,873,184)	(3,869,288)	(6,742,472)
<b>Total Capital Assets, Net</b>	<b>3,705,895</b>	<b>6,864,477</b>	<b>10,570,372</b>
<b>Total Assets</b>	<b>5,375,284</b>	<b>9,378,618</b>	<b>14,753,902</b>
<b>Liabilities and Deferred Inflows of Resources</b>			
<b>Current Liabilities:</b>			
Accounts Payable	27,923	130,260	158,183
Other Accrued Liabilities	24,119	17,605	41,724
Noncurrent Due Within One Year	-	17,000	17,000
<b>Total Current Liabilities</b>	<b>52,042</b>	<b>164,865</b>	<b>216,907</b>
<b>Noncurrent Liabilities:</b>			
Due in More Than One Year	90,156	685,000	775,156
<b>Total Noncurrent Liabilities</b>	<b>90,156</b>	<b>685,000</b>	<b>775,156</b>
<b>Deferred Inflows of Resources</b>	<b>356,937</b>	<b>-</b>	<b>356,937</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>499,135</b>	<b>849,865</b>	<b>1,349,000</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,705,895	5,156,211	8,862,106
<b>Restricted For:</b>			
Class "C" Roads	177,370	-	177,370
Impact Fees	115,169	109,628	224,797
Debt Service	-	43,366	43,366
Redevelopment Agency	98,008	-	98,008
Perpetual Care	198,314	-	198,314
Unrestricted	581,393	3,219,548	3,800,941
<b>Total Net Position</b>	<b>\$ 4,876,149</b>	<b>\$ 8,528,753</b>	<b>\$ 13,404,902</b>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Governmental Activities</b>							
General Government	\$ 335,770	\$ 112,083	\$ -	\$ -	\$ (223,687)	\$ -	\$ (223,687)
Public Safety	138,473	725	-	-	(137,748)	-	(137,748)
Public Works	394,377	64,836	143,022	-	(186,519)	-	(186,519)
Parks and Recreation	170,755	26,236	-	-	(144,519)	-	(144,519)
Cemetery	107,084	44,325	-	-	(62,759)	-	(62,759)
Shop	8,426	-	-	-	(8,426)	-	(8,426)
Interest Expense	3,303	-	-	-	(3,303)	-	(3,303)
<b>Total Governmental Activities</b>	<b>1,158,188</b>	<b>248,205</b>	<b>143,022</b>	<b>-</b>	<b>(766,961)</b>	<b>-</b>	<b>(766,961)</b>
<b>Business-type Activities</b>							
Water	670,085	691,873	-	-	-	21,788	21,788
Sewer	425,351	451,854	-	-	-	26,503	26,503
Electric	1,704,874	2,060,527	-	-	-	355,653	355,653
Sanitation	244,992	237,504	-	-	-	(7,488)	(7,488)
<b>Total Business-type Activities</b>	<b>3,045,302</b>	<b>3,441,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>396,456</b>	<b>396,456</b>
<b>Total Government</b>	<b>\$ 4,203,490</b>	<b>\$ 3,689,963</b>	<b>\$ 143,022</b>	<b>-</b>	<b>(766,961)</b>	<b>396,456</b>	<b>(370,505)</b>
<b>General Revenues:</b>							
<b>Taxes</b>							
Property					346,016	-	346,016
Sales and Use					566,193	-	566,193
Fee in Lieu					40,483	-	40,483
Telecommunication					45,525	-	45,525
Interest and Investment Earnings					13,061	29,020	42,081
Miscellaneous					56,803	-	56,803
<b>Total General Revenues and Transfers</b>					<b>1,068,081</b>	<b>29,020</b>	<b>1,097,101</b>
<b>Change in Net Position</b>					<b>301,120</b>	<b>425,476</b>	<b>726,596</b>
<b>Net Position at Beginning of Year</b>					<b>4,575,029</b>	<b>8,103,277</b>	<b>12,678,306</b>
<b>Net Position at End of Year</b>					<b>\$ 4,876,149</b>	<b>\$ 8,528,753</b>	<b>\$ 13,404,902</b>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 105,915	\$ 437,452	\$ -	\$ 543,367
Restricted Cash	292,539	-	287,815	580,354
Due from Other Funds	34,573	-	-	34,573
Accounts Receivable	1,732	-	22,036	23,768
Due From Other Governments	428,767	-	70,000	498,767
Prepaid Expenses	1,734	-	-	1,734
<b>TOTAL ASSETS</b>	<u><u>\$ 865,260</u></u>	<u><u>\$ 437,452</u></u>	<u><u>\$ 379,851</u></u>	<u><u>\$ 1,682,563</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 27,923	\$ -	\$ -	\$ 27,923
Due to Other Funds	-	-	13,174	13,174
Other Accrued Liabilities	24,119	-	-	24,119
<b>TOTAL LIABILITIES</b>	<u>52,042</u>	<u>-</u>	<u>13,174</u>	<u>65,216</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>286,937</u>	<u>-</u>	<u>83,529</u>	<u>370,466</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u><u>338,979</u></u>	<u><u>-</u></u>	<u><u>96,703</u></u>	<u><u>435,682</u></u>
<b>FUND BALANCES</b>				
<b>Non-spendable:</b>				
Prepays	1,734	-	-	1,734
<b>Restricted for:</b>				
Class C Roads	177,370	-	-	177,370
Road Impact Fees	93,826	-	-	93,826
Park Impact Fees	21,343	-	-	21,343
Redevelopment Agency	-	-	98,008	98,008
Perpetual Care	-	-	198,314	198,314
<b>Assigned:</b>				
Capital Projects	-	437,452	(13,174)	424,278
Unassigned	232,008	-	-	232,008
<b>TOTAL FUND BALANCES</b>	<u>526,281</u>	<u>437,452</u>	<u>283,148</u>	<u>1,246,881</u>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES</b>	<u><u>\$ 865,260</u></u>	<u><u>\$ 437,452</u></u>	<u><u>\$ 379,851</u></u>	<u><u>\$ 1,682,563</u></u>

The accompanying notes are an integral part of these financial statements.

**MORGAN CITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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

Total fund balances--total governmental funds	\$ 1,246,881
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	3,705,895
Deferred inflows of resources are reported in Governmental Funds Balance Sheet includes a special assessment receivable. The balance was deferred because funds were not available to pay for current period expenditures.	13,529
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Those liabilities consist of:	
Compensated Absences	<u>(90,156)</u>
Net position of governmental activities	<u>\$ 4,876,149</u>

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The accompanying notes are an integral part of these financial statements.

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 925,574	\$ -	\$ 101,409	\$ 1,026,983
Licenses and Permits	79,198	-	-	79,198
Intergovernmental	143,022	-	-	143,022
Charges for services	46,786	-	47,885	94,671
Fines	725	-	-	725
Other Revenues	139,943	-	3,532	143,475
<b>Total Revenues</b>	<b>1,335,248</b>	<b>-</b>	<b>152,826</b>	<b>1,488,074</b>
<b>EXPENDITURES</b>				
<b>Current Operating:</b>				
General Government	244,051	-	73,859	317,910
Public Safety	138,473	-	-	138,473
Public Works	239,809	-	-	239,809
Parks and Recreation	134,764	-	-	134,764
Cemetery	105,853	-	-	105,853
Shop	8,426	-	-	8,426
<b>Debt Service:</b>				
Principal	89,151	-	-	89,151
Interest	3,303	-	-	3,303
<b>Capital Outlay</b>				
Parks and Recreation	27,582	57,049	-	84,631
Public Works	-	15,499	-	15,499
<b>Total Expenditures</b>	<b>991,412</b>	<b>72,548</b>	<b>73,859</b>	<b>1,137,819</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>343,836</b>	<b>(72,548)</b>	<b>78,967</b>	<b>350,255</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-In	-	155,000	-	155,000
Transfers-Out	(155,000)	-	-	(155,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(155,000)</b>	<b>155,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>188,836</b>	<b>82,452</b>	<b>78,967</b>	<b>350,255</b>
<b>Fund Balances at Beginning of Year</b>	<b>337,445</b>	<b>355,000</b>	<b>204,181</b>	<b>896,626</b>
<b>Fund Balances at End of Year</b>	<b>\$ 526,281</b>	<b>\$ 437,452</b>	<b>\$ 283,148</b>	<b>\$ 1,246,881</b>

The accompanying notes are an integral part of these financial statements.



**MORGAN CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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Net change in fund balance, total governmental funds \$ 350,255

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

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlays	94,101	
Depreciation Expense	<u>(199,735)</u>	(105,634)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.

(28,766)

Repayment of debt principal and compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The debt principal repaid are as follows:

CID Road Bond Series 2010	74,000	
Capital Lease International Truck	15,151	
Net change of Compensated Absences	(3,886)	<u>85,265</u>

Change in net position of governmental activities \$ 301,120

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The accompanying notes are an integral part of these financial statements.

**MORGAN CITY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 6,282	\$ 68,180
Restricted Cash	14,126	89,596
Accounts Receivable (Net)	69,581	41,791
Inventory	17,025	960
Due from Other Funds	-	-
Prepaid Expenses	1,734	1,734
<b>Total Current Assets</b>	<u>108,748</u>	<u>202,261</u>
<b>Noncurrent Assets:</b>		
<b>Capital Assets:</b>		
Water Shares	90,114	-
Land	6,318	67,131
Buildings	7,125	7,125
Utility Systems	4,641,434	2,798,687
Machinery and Equipment	153,582	159,333
Less Accumulated Depreciation	<u>(1,689,188)</u>	<u>(1,206,239)</u>
<b>Total Capital Assets, Net</b>	<u>3,209,385</u>	<u>1,826,037</u>
<b>Total Assets</b>	<u>\$ 3,318,133</u>	<u>\$ 2,028,298</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 12,664	\$ 6,566
Due to Other Funds	87,351	-
Customer Deposits	2,725	-
Current Portion of Long-Term Obligations	-	17,000
<b>Total Current Liabilities</b>	<u>102,740</u>	<u>23,566</u>
<b>Noncurrent Liabilities:</b>		
Long-Term Obligations, Net of Current Portion	-	685,000
Due to Other Funds	940,312	-
<b>Total Liabilities</b>	<u>1,043,052</u>	<u>708,566</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,203,119	1,124,037
Restricted for Impact Fees	20,408	46,230
Restricted for Debt Service	-	43,366
Unrestricted	51,554	106,099
<b>Total Net Position</b>	<u>2,275,081</u>	<u>1,319,732</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 3,318,133</u>	<u>\$ 2,028,298</u>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,756,522	\$ 134,189	\$ 1,965,173
42,990	-	146,712
165,766	22,079	299,217
101,251	-	119,236
1,006,264	-	1,006,264
1,734	-	5,202
<u>3,074,527</u>	<u>156,268</u>	<u>3,541,804</u>
-	-	90,114
17,520	-	90,969
31,812	92,895	138,957
2,390,900	-	9,831,021
269,789	-	582,704
(967,986)	(5,875)	(3,869,288)
<u>1,742,035</u>	<u>87,020</u>	<u>6,864,477</u>
<u>\$ 4,816,562</u>	<u>\$ 243,288</u>	<u>\$ 10,406,281</u>
\$ 94,756	\$ 16,274	\$ 130,260
-	-	87,351
14,880	-	17,605
-	-	17,000
<u>109,636</u>	<u>16,274</u>	<u>252,216</u>
-	-	685,000
-	-	940,312
<u>109,636</u>	<u>16,274</u>	<u>1,877,528</u>
1,742,035	87,020	5,156,211
42,990	-	109,628
-	-	43,366
<u>2,921,901</u>	<u>139,994</u>	<u>3,219,548</u>
<u>4,706,926</u>	<u>227,014</u>	<u>8,528,753</u>
<u>\$ 4,816,562</u>	<u>\$ 243,288</u>	<u>\$ 10,406,281</u>

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>
<b>Operating Revenues:</b>		
Charges for Services	\$ 658,613	\$ 432,021
Other Operating Revenues	<u>10,177</u>	<u>100</u>
<b>Total Operating Revenues</b>	<b><u>668,790</u></b>	<b><u>432,121</u></b>
<b>Operating Expenses:</b>		
Personnel Services	187,583	167,634
Contractual Services	-	-
Purchases water/treatment/power/refuse	39,999	-
Supplies	116,513	12,971
Office Expense	28,445	27,555
Professional Services	34,942	25,348
Miscellaneous	1,023	261
Equipment and Maintenance	79,581	43,125
Utilities	37,008	36,867
Insurance	11,862	11,862
Depreciation	<u>117,506</u>	<u>59,925</u>
<b>Total Operating Expenses</b>	<b><u>654,462</u></b>	<b><u>385,548</u></b>
<b>Operating Income (Loss)</b>	<b><u>14,328</u></b>	<b><u>46,573</u></b>
<b>Nonoperating Revenues (Expenses)</b>		
Impact Fees	17,616	16,158
Connection Fees	5,467	3,575
Interest Revenue	43	13,159
Interest Expense	<u>(15,623)</u>	<u>(39,803)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>7,503</u></b>	<b><u>(6,911)</u></b>
<b>Net Income (Loss) Before Contributions</b>	<b>21,831</b>	<b>39,662</b>
<b>Capital Contributions</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Change in Net Position</b>	<b><u>21,831</u></b>	<b><u>39,662</u></b>
<b>Total Net Position - Beginning</b>	<b><u>2,253,250</u></b>	<b><u>1,280,070</u></b>
<b>Total Net Position - Ending</b>	<b><u><u>\$ 2,275,081</u></u></b>	<b><u><u>\$ 1,319,732</u></u></b>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,999,290	\$ 215,722	\$ 3,305,646
12,259	21,782	44,318
<u>2,011,549</u>	<u>237,504</u>	<u>3,349,964</u>
403,688	15,485	774,390
-	88,441	88,441
981,792	90,386	1,112,177
87,118	4,050	220,652
34,158	22,444	112,602
22,938	7,741	90,969
8,154	7,856	17,294
28,582	793	152,081
-	-	73,875
11,862	-	35,586
126,582	7,796	311,809
<u>1,704,874</u>	<u>244,992</u>	<u>2,989,876</u>
<u>306,675</u>	<u>(7,488)</u>	<u>360,088</u>
17,257	-	51,031
31,721	-	40,763
15,818	-	29,020
-	-	(55,426)
<u>64,796</u>	<u>-</u>	<u>65,388</u>
371,471	(7,488)	425,476
-	-	-
<u>371,471</u>	<u>(7,488)</u>	<u>425,476</u>
<u>4,335,455</u>	<u>234,502</u>	<u>8,103,277</u>
<u>\$ 4,706,926</u>	<u>\$ 227,014</u>	<u>\$ 8,528,753</u>

**MORGAN CITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Water</u>	<u>Sewer</u>
<b>Cash Flows from Operating Activities</b>		
Cash Received From Customers	\$ 664,902	\$ 430,394
Cash Paid to Suppliers	(325,295)	(148,505)
Cash Paid to Employees	(187,583)	(167,634)
Net Cash Provided (Used) by Operating Activities	<u>152,024</u>	<u>114,255</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers In/Out	-	-
Due to/from Other Funds	(78,422)	(13,630)
Net Cash Used in Noncapital Financing Activities	<u>(78,422)</u>	<u>(13,630)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and Construction of Capital Assets	(67,150)	(21,916)
Principal Payments - Bonds		(16,000)
Interest Paid	(15,623)	(39,803)
Impact Fees Collected	17,616	16,158
Connection Fees Collected	5,467	3,575
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(59,690)</u>	<u>(57,986)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on Investments	43	13,159
Net Cash Provided by Investing Activities	<u>43</u>	<u>13,159</u>
<b>Net Increase (Decrease) in Cash</b>	13,955	55,798
<b>Cash - July 1</b>	<u>6,453</u>	<u>101,978</u>
<b>Cash - June 30</b>	<u>\$ 20,408</u>	<u>\$ 157,776</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 14,328	\$ 46,573
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	117,506	59,925
Changes in Assets and Liabilities:		
Accounts Receivable	(3,888)	(1,727)
Inventory	16,096	231
Prepaid Expenses	4,612	4,612
Accounts Payable	3,145	4,641
Customer Deposits	225	-
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 152,024</u>	<u>\$ 114,255</u>

The accompanying notes are an integral part of these financial statements.

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,021,109	\$ 238,010	\$ 3,354,415
(1,224,234)	(264,529)	(1,962,563)
(403,688)	(15,485)	(774,390)
<u>393,187</u>	<u>(42,004)</u>	<u>617,462</u>
-	-	-
64,972	-	(27,080)
<u>64,972</u>	<u>-</u>	<u>(27,080)</u>
(32,702)	(20,354)	(142,122)
-	-	(16,000)
-	-	(55,426)
17,257	-	51,031
31,721	-	40,763
<u>16,276</u>	<u>(20,354)</u>	<u>(121,754)</u>
15,818	-	29,020
<u>15,818</u>	<u>-</u>	<u>29,020</u>
490,253	(62,358)	497,648
<u>1,309,259</u>	<u>196,547</u>	<u>1,614,237</u>
<u>\$ 1,799,512</u>	<u>\$ 134,189</u>	<u>\$ 2,111,885</u>
\$ 306,675	\$ (7,488)	\$ 360,088
126,582	7,796	311,809
8,660	506	3,551
(2,009)	-	14,318
4,612	-	13,836
(52,233)	(42,818)	(87,265)
900	-	1,125
<u>\$ 393,187</u>	<u>\$ (42,004)</u>	<u>\$ 617,462</u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), public utilities (water, sewer, electric, and sanitation), highways and streets, social services, culture-recreation, public improvements, planning and zoning, economic redevelopment, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government and the Redevelopment Agency as a blended component unit.

**Basic Financial Statements**

The City's basic financial statements consist of the government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

*Statement of Net Position* - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end.

*Statement of Activities* - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.



**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the City:

**Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following describes the major governmental funds of the City:

**General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects** fund accumulates funds over time for the long-term capital projects of governmental type acquisition and expansion.

The following describes the nonmajor governmental funds of the City:

**Special Revenue fund** is used to account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

**Redevelopment fund** helps eliminate "blighted" areas within the designated project area. The City receives tax increment revenue for the fund. The Redevelopment Fund is a special revenue fund.

**Perpetual Care fund** is an expendable fund for cemetery care.

**Utility Enhancement fund** is an expendable fund for utility enhancement.

**Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is a description of the proprietary funds of the City.

**Enterprise Funds** account for those operations that are financed and operated in a manner similar to private business enterprises or where the governing body had decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise funds include the water fund, sewer fund, electric fund, and the sanitation fund.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled utility services which are accrued. Expenses are recognized at the time liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus/Basis of Accounting (continued)**

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

**Assets, Liabilities and Equity**

**Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Interfund Receivables and Payables**

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

**Receivables and Payables**

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.

**Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Equity (continued)**

**Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Utility Systems	40
Land Improvements	30
Infrastructure	20
Machinery & Equipment	7

*Fund Financial Statements*

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

**Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick leave are accrued when incurred and are reported as a liability. Amounts not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position as a noncurrent liability.

**Long-term Liabilities**

The accounting treatment of long-term liabilities 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 liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of notes payable and bonds payable.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Equity (continued)**

**Long-term Liabilities (continued)**

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal 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.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item reported under this category. *Unavailable revenue- property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts are reported in both the government-wide statements and the governmental fund statements.

**Equity Classifications**

*Government-wide Statements*

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

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

It is the City’s policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Equity (continued)**

**Equity Classifications (continued)**

*Fund Statements*

The City has adopted GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement applies only to fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors. .
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**Interfund Transactions**

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets, Liabilities and Equity (continued)**

**Property Tax**

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1<sup>st</sup> and delinquent after 12 o'clock noon on November 30<sup>th</sup> of each year. The tax levy is established by June 15<sup>th</sup> with a lien date of January 1<sup>st</sup>. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

**Operating Revenues and Expenses**

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budget Information**

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Morgan City Municipal Council on or before June 15<sup>th</sup> for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1<sup>st</sup>, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15<sup>th</sup> the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types is not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

**Fund Equity Restrictions**

Restricted for Perpetual Care - The City Council passed an ordinance providing for perpetual care fees to be set aside for maintenance at the City cemetery.

Restricted for Redevelopment - Amounts generated in the redevelopment fund are reserved to be spent to promote urban renewal and economic development.

Restricted for Impact Fees - The City Council passed an ordinance providing for specific impact fees on all new construction. Impact fees include fees for roads, parks, administration, water, sewer, and electric. These fees are to be reserved for current and future costs to help defray a portion of the costs that naturally result from increased development.

Restricted for Class “C” Road - Reserve required to be kept that accounts for the receipt of class “C” road revenues and expenditures.

Restricted for Special Improvement District - Amounts generated in the special improvement district are reserved to be spent on capital outlay and debt service within the district.

Restricted for Debt Service – Reserves are established by bond documents to service the debt, repair and replace infrastructure, etc.

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund’s portion of this pool is displayed as “Cash and Cash Equivalents” which also includes cash accounts that are separately held by some of the City’s 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*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a “qualified depository”.

The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.



**MORGAN CITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Deposits and Investments (continued)**

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 formal deposit policy for custodial credit risk. As of June 30, 2014, \$534,225 of the City’s bank balances of \$784,225 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable 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 Investors 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 subdivision 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 in the Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2014, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 2,449,006	\$ 2,462,491

The GASB Fair Value factor at June 30, 2014 was 1.00550620

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Deposits and Investments (continued)**

*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 manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City’s investments are noted in the previous table.

*Credit risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act as previously discussed.

*Concentration of credit risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City’s investment in the Utah Public Treasurer’s Investment Fund has no concentration of credit risk.

*Custodial credit risk (investments)* – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

The City’s investment in the Utah Public Treasurer’s Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2014, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 786,600
PTIF investment	<u>2,449,006</u>
Total cash and investments	<u><u>\$ 3,235,606</u></u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash	\$ 2,508,540
Restricted Cash	<u>727,066</u>
Total cash and investments	<u><u>\$ 3,235,606</u></u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Accounts Receivable**

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2014, are as follows:

<b>Governmental Activities:</b>	<u><b>General</b></u>	<u><b>Special Revenue</b></u>	<u><b>RDA</b></u>	<u><b>Perpetual Care</b></u>	<u><b>Total</b></u>
Receivables:					
Accounts	\$ 1,732	\$ -	\$ 1,459	\$ 7,048	\$ 10,239
Special Assessment	-	13,529	-	-	13,529
Taxes	<u>428,767</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>498,767</u>
Gross receivables	430,499	13,529	71,459	7,048	522,535
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u><b>\$ 430,499</b></u>	<u><b>\$ 13,529</b></u>	<u><b>\$ 71,459</b></u>	<u><b>\$ 7,048</b></u>	<u><b>\$ 522,535</b></u>

Accounts receivable for the City's Business-type Activities, including the applicable allowance for uncollectible accounts at June 30, 2014 are as follows:

<b>Business-type Activities:</b>	<u><b>Water</b></u>	<u><b>Sewer</b></u>	<u><b>Electric</b></u>	<u><b>Sanitation</b></u>	<u><b>Total</b></u>
Receivables:					
Accounts	\$ 74,698	\$ 44,912	\$ 179,354	\$ 23,838	\$ 322,802
Gross receivables	74,698	44,912	179,354	23,838	322,802
Less: Allowance for uncollectibles	<u>(5,117)</u>	<u>(3,121)</u>	<u>(13,588)</u>	<u>(1,759)</u>	<u>(23,585)</u>
Net total receivables	<u><b>\$ 69,581</b></u>	<u><b>\$ 41,791</b></u>	<u><b>\$ 165,766</b></u>	<u><b>\$ 22,079</b></u>	<u><b>\$ 299,217</b></u>

**Due From Other Funds (Interfund Receivables/Payables)**

At June 30, 2014, the City had three interfund receivables and payables.

1. The Water Fund owed \$21,399 to the General Fund. This was a short-term borrowing and will be paid back within one year.
2. The Special Revenue Fund owed \$13,174 to the General Fund. This amount is not expected to be paid back within one year. The funding used to pay back this borrowing is from annual tax increment monies in the Special Revenue Fund. All other outstanding obligations of this Fund have been met.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Due From Other Funds (Interfund Receivables/Payables)**

3. On April 10, 2013 the Water Fund borrowed \$1,081,971 from the Electric Fund. Payment arrangements have been made and are scheduled to take place on a monthly basis in the amount of \$6,716.26 with an interest rate of 1.50% per year. The amounts that are due from the Water Fund and to the Electric Fund are as follows:

<b>Year Ended June 30,</b>	<b>Due to Electric Fund from Water Fund</b>		
	<b>1.50%</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 65,953	\$ 14,642	\$ 80,595
2016	66,950	13,645	80,595
2017	67,961	12,634	80,595
2018	68,987	11,608	80,595
2019	70,029	10,566	80,595
2020	71,087	9,508	80,595
2021	72,160	8,435	80,595
2022	73,250	7,345	80,595
2023	74,357	6,238	80,595
2024	75,480	5,115	80,595
2025	76,620	3,975	80,595
2026	77,777	2,818	80,595
2027	78,952	1,643	80,595
2028	66,701	462	67,163
<b>Totals</b>	<b>\$ 1,006,264</b>	<b>\$ 108,634</b>	<b>\$ 1,114,898</b>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Capital Assets**

A summary of changes in capital assets to the governmental activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 200,480	\$ -	\$ -	\$ 200,480
Total capital assets, not being depreciated	<u>200,480</u>	<u>-</u>	<u>-</u>	<u>200,480</u>
Capital assets, being depreciated				
Land Improvements	562,926	78,602	-	641,528
Buildings	918,937	-	-	918,937
Machinery & Equipment	593,864	15,499	-	609,363
Infrastructure	<u>4,208,771</u>	<u>-</u>	<u>-</u>	<u>4,208,771</u>
Total capital assets, being depreciated	<u>6,057,749</u>	<u>94,101</u>	<u>-</u>	<u>6,378,599</u>
Accumulated Depreciation for:				
Land Improvements	(96,141)	(17,715)	-	(113,856)
Buildings	(204,715)	(16,829)	-	(221,544)
Machinery & Equipment	(413,679)	(32,863)	-	(446,542)
Infrastructure	<u>(1,958,914)</u>	<u>(132,328)</u>	<u>-</u>	<u>(2,091,242)</u>
Total accumulated depreciation	<u>(2,499,915)</u>	<u>(199,735)</u>	<u>-</u>	<u>(2,873,184)</u>
Total capital assets, being depreciated, net	<u>3,557,834</u>	<u>(105,634)</u>	<u>-</u>	<u>3,505,415</u>
Governmental activities capital assets, net	<u>\$3,758,314</u>	<u>\$(105,634)</u>	<u>\$ -</u>	<u>\$3,705,895</u>

Depreciation Expense was charged to functions/departments of the primary government as follows:

**Governmental Activities:**

General Government	\$ 13,974
Public Safety	-
Public Works	154,568
Parks and Recreation	29,962
Cemetery	1,231
Shop	<u>-</u>
Total Depreciation Expense	<u>\$ 199,735</u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Capital Assets (continued)**

A summary of changes in capital assets to the business-type activities follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Water Stock	\$ 90,114	\$ -	\$ -	\$ 90,114
Land	90,969	-	-	90,969
Total capital assets, not being depreciated	<u>225,402</u>	<u>-</u>	<u>-</u>	<u>181,083</u>
Capital assets, being depreciated				
Buildings	123,824	15,133	-	138,957
Machinery & Equipment	582,704	-	-	582,704
Systems	9,704,031	126,990	-	9,831,021
Total capital assets, being depreciated	<u>9,701,741</u>	<u>142,123</u>	<u>-</u>	<u>10,552,682</u>
Accumulated Depreciation for:				
Buildings	(36,358)	(3,109)	-	(39,467)
Machinery & Equipment	(362,818)	(42,724)	-	(405,542)
Systems	(3,158,303)	(265,976)	-	(3,424,279)
Total accumulated depreciation	<u>(3,272,363)</u>	<u>(311,809)</u>	<u>-</u>	<u>(3,869,288)</u>
Total capital assets, being depreciated, net	<u>6,429,378</u>	<u>(169,686)</u>	<u>-</u>	<u>6,683,394</u>
Business-type activities capital assets, net	<u>\$6,654,780</u>	<u>\$(169,686)</u>	<u>\$ -</u>	<u>\$6,864,477</u>

Depreciation Expense was charged to the proprietary funds as follows:

**Business-type Activities:**

Water Fund	\$ 117,506
Sewer Fund	59,925
Electric Fund	126,582
Sanitation Fund	<u>7,796</u>
Total Depreciation Expense	<u>\$ 311,809</u>

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Interfund Transfers**

Often, funds are received into a certain fund with the expectation of those funds being used in another fund. Additionally, funds may be transferred to accumulate money in a capital projects fund for long-term projects. Two transfers were made during the year and are as follows:

	<b>Transfers In</b>
<b>Transfers Out</b>	<b>Capital Projects Fund</b>
<b>General Fund</b>	\$ 155,000
<b>Totals</b>	\$ 155,000

**Long-Term Liabilities**

**Series 2010 Road Bonds:** Road bonds are repaid through the road department in the General Fund. Both interest and principal are paid on the 1<sup>st</sup> of July each year. The bonds were scheduled to mature on July 1<sup>st</sup>, 2020 at an interest rate of 3.5%. The City paid off the Road bonds in 2014 in the amount of \$74,000.

**Capital Lease – 2011 International 7400 Truck:** The City entered into a capital leasing agreement to finance a portion of a 2011 International 7400 Truck. The total cost of the truck was \$120,195, of which the City financed \$20,200 with a capital lease. The lease was issued October 27, 2011 and has a 3.75% interest rate. The lease was paid off early in 2014 in the amount of \$15,151.

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the governmental activities:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Series 2010 Road Bonds	\$ 74,000	\$ -	\$ (74,000)	\$ -	\$ -
Capital Lease - International	15,151	-	(15,151)	-	-
Total Debt	89,151	-	(89,151)	-	-
Compensated Absences	86,270	3,886	-	90,156	-
<i>Total Governmental Activities</i>	\$ 175,421	\$ 3,886	\$ (89,151)	\$ 90,156	\$ -

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Long-Term Liabilities (continued)**

**Sewer Revenue Bond, Series 2010:** The government issued a series 2010 bond to provide funds for improvements and construction of a sewer project. Interest is due on December 1<sup>st</sup> and principal and interest are paid on June 1<sup>st</sup> of each year. The bonds mature on June 1, 2036. The interest rate is 5.61%.

<b>Year Ended June 30,</b>	<b>Series 2010 Sewer Revenue Bonds</b>		
	<b>5.61%</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 17,000	\$ 38,905	\$ 55,905
2016	18,000	37,924	55,924
2017	19,000	36,886	55,886
2018	20,000	35,792	55,792
2019	21,000	34,642	55,642
2020	22,000	33,436	55,436
2021	24,000	32,145	56,145
2022	25,000	30,771	55,771
2023	26,000	29,340	55,340
2024	28,000	27,826	55,826
2025	29,000	26,227	55,227
2026	31,000	24,544	55,544
2027	33,000	22,749	55,749
2028	34,000	20,869	54,869
2029	36,000	18,906	54,906
2030	38,000	46,830	84,830
2031	41,000	14,614	55,614
2032	43,000	12,258	55,258
2033	45,000	9,789	54,789
2034	48,000	7,181	55,181
2035	51,000	4,404	55,404
2036	53,000	1,487	54,487
<b>Totals</b>	\$ 702,000	\$ 497,792	\$ 1,249,525



**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Long-Term Liabilities (continued)**

Changes in Long-Term Liabilities - During the year, the following changes occurred in long-term liabilities for the business-type activities:

<b>Business-type Activities:</b>	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Series 2010 Sewer Bonds	\$ 718,000	\$ -	\$ (16,000)	\$ 702,000	\$ 16,000
Total Debt	718,000	-	(16,000)	702,000	16,000
<i>Total Business-type Activities</i>	<u>\$ 718,000</u>	<u>\$ -</u>	<u>\$ (16,000)</u>	<u>\$ 702,000</u>	<u>\$ 16,000</u>

**Redevelopment Agency**

The Morgan Redevelopment Agency has one project titled the Commercial Street Redevelopment Project. The Commercial Street Redevelopment Project collected \$72,643 in tax increment monies in the fiscal year ended June 30, 2014. This project did not have any outstanding debt at June 30, 2014, nor did it pay any taxes to a taxing agency.

The actual expenditures for the project consisted of the following:

1. \$4,789 for administrative costs of the project.
2. \$68,911 for grants to local businesses.

**Bond Resolution Compliance**

Series 2010 Sewer Revenue Bonds

**Reserved Expense Account:** The bond documents require the City to allocate the expected operating expenses for the following month into a reserved expense account. The reserved expense account will have one month's worth of reserved operating expenses each month. The balance of the reserved expense account at June 30, 2014 was \$30,167.

**Bond Account:** The City is required by the bond documents to allocate 1/12<sup>th</sup> of the following principal and interest payment each month until the payments are made in December and June. The balance of the reserved bond account at June 30, 2014 was \$13,199.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**IV. OTHER INFORMATION**

**Retirement System**

Plan Description - Morgan City Corporation contributes to the Local Government Noncontributing Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans 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 of the Local

Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. 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 - Plan members in Local Government Noncontributory Retirement System members are required to contribute 0.0% of their annual covered salary (all or part may be paid by the employer for the employee) and Morgan City Corporation is required to contribute 17.29 % of their annual covered salary from July 2013 through June 2014. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The contributions by Morgan City Corporation to the Local Government Noncontributory Retirement System for June 30, 2014, 2013, and 2012 were \$123,356, \$106,577, and \$95,281 respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter. The Utah State Retirement Board does not segregate the assets and vested benefits of the individual plans by unit within the system. Therefore, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the plans that are applicable to Morgan City Corporation.

The City also sponsors a defined contribution retirement plan under Internal Revenue Code 401(K) which is administered by the Utah Retirement Systems. The Plan covers all city employees. Participants are fully vested. The 401(K) plan is an elective deferral plan. The City does not make contributions on behalf of the employees. All city employees may contribute a minimum of ½ of 1% up to a maximum of 25% of gross income. The participants' contributions for the years ended June 30, 2014, 2013, and 2012 were as follows: \$13,816, \$11,790, and \$10,845 respectively.

**MORGAN CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**IV. OTHER INFORMATION (continued)**

**Other Postretirement Health Care Benefits**

In 2008, the City implemented a new medical retirement personnel policy. The City will provide certain medical benefits to retiring employees that meet specific criteria. The retiring employee must have been employed by the City for more than 35 years. The medical benefits include the payment of health insurance premiums for the employee up to five years or until the date the employee is eligible for Medicare. The employee will be responsible for any difference in premium for insuring a spouse or other dependents. As of June 30, 2014, \$0 had been paid in health care premiums on behalf of retired employees.

**Risk Management – Claims and Judgments**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

**V. NEW ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) issued Statement Number 68 and will be effective for the City in the 06/30/15 fiscal year. The Statement requires a new methodology to be used in reporting the unfunded liabilities of defined benefit pension plans. Formerly, local governments only needed to report their contributions to Utah Retirement Systems as an expense.

With Statement 68 governments will also have to report their respective share of the unfunded pension liability on the Statement of Net Position – Government Wide and on the Statement of Net Position – Proprietary Funds. Additionally, the net change in this volatile liability will need to be reported as an expense/income each year. This change will not affect the fund financial statements for governmental funds.

As of December 31, 2013 the Utah Retirement Systems estimated the City's share of the unfunded liability to be \$421,151. This liability will also result in a prior year adjustment to the net position in the year of implementation. Additional reporting requirements are included with this liability in the notes to the financial statements and as required supplementary schedules.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Current Year Property Taxes	\$ 300,000	\$ 265,000	\$ 257,458	\$ (7,542)
Redemptions	7,000	7,000	15,915	8,915
Fee in Lieu	30,000	45,000	40,483	(4,517)
Sales and Use Taxes	525,000	550,000	566,193	16,193
Telecommunication and Franchise Fees	45,000	45,000	45,525	525
	<u>907,000</u>	<u>912,000</u>	<u>925,574</u>	<u>13,574</u>
<b>Licenses and Permits:</b>				
Business Licenses	15,000	15,000	14,191	(809)
Building Permits	30,000	42,000	61,720	19,720
Other Licenses	2,100	2,100	3,287	1,187
	<u>47,100</u>	<u>59,100</u>	<u>79,198</u>	<u>20,098</u>
<b>Intergovernmental:</b>				
Grants	-	-	-	-
Class "C" Road Fund Allotment	150,000	150,000	143,022	(6,978)
State Liquor Allotment	4,000	-	-	-
	<u>154,000</u>	<u>150,000</u>	<u>143,022</u>	<u>(6,978)</u>
<b>Charges for Services:</b>				
Ambulance	58,000	-	-	-
Parks	2,000	18,000	17,461	(539)
Cemetery	26,000	26,000	29,325	3,325
	<u>86,000</u>	<u>44,000</u>	<u>46,786</u>	<u>2,786</u>
Fines and Forfeitures	<u>5,000</u>	<u>5,000</u>	<u>725</u>	<u>(4,275)</u>
<b>Other Revenues:</b>				
Interest Earnings	8,350	8,350	9,529	1,179
Road Impact Fees	12,000	12,000	64,836	52,836
Park Impact Fees	8,000	8,000	8,775	775
Miscellaneous Revenue	35,000	35,000	56,803	21,803
	<u>63,350</u>	<u>63,350</u>	<u>139,943</u>	<u>76,593</u>
<b>Total Revenues</b>	<u>\$ 1,262,450</u>	<u>\$ 1,233,450</u>	<u>\$ 1,335,248</u>	<u>\$ 101,798</u>

(continued)

**MORGAN CITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures:</b>				
<b>General Government:</b>				
Administrative	\$ 183,279	\$ 181,279	\$ 188,516	\$ (7,237)
Court	750	-	94	(94)
Economic Development	60,000	57,550	36,177	21,373
Non-Departmental	-	-	-	-
Elections	3,000	3,363	3,419	(56)
Buildings	15,475	17,475	15,845	1,630
	<u>262,504</u>	<u>259,667</u>	<u>244,051</u>	<u>15,616</u>
<b>Public Safety:</b>				
Law Enforcement	126,113	126,113	110,000	16,113
Fire Department	26,452	26,452	17,406	9,046
Ambulance	63,000	18,000	10,954	7,046
Animal Control	150	150	113	37
	<u>215,715</u>	<u>170,715</u>	<u>138,473</u>	<u>32,242</u>
<b>Public Works</b>				
Building Inspection	58,938	61,128	62,012	(884)
Road Department	570,822	561,519	270,251	291,268
	<u>629,760</u>	<u>622,647</u>	<u>332,263</u>	<u>290,384</u>
Parks	144,866	167,866	156,288	11,578
Recreation	6,558	6,008	6,058	(50)
Cemetery	117,047	117,047	105,853	11,194
Shop	8,000	12,000	8,426	3,574
Total Expenditures	<u>1,384,450</u>	<u>1,355,950</u>	<u>991,412</u>	<u>364,538</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	5,000	-	-	-
Operating transfers (out)	-	(155,000)	(155,000)	-
Appropriations of Fund Balances	117,000	277,500	-	277,500
Total other financing sources (uses)	<u>122,000</u>	<u>122,500</u>	<u>(155,000)</u>	<u>277,500</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>188,836</u>	<u>188,836</u>
Fund Balances at Beginning of Year	<u>337,445</u>	<u>337,445</u>	<u>337,445</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 337,445</u>	<u>\$ 337,445</u>	<u>\$ 526,281</u>	<u>\$ 188,836</u>

# **SUPPLEMENTARY INFORMATION**

**MORGAN CITY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014**

	<u>Special Revenue</u>	<u>RDA</u>	<u>Perpetual Care</u>	<u>Utility Enhancement</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash	-	96,549	191,266	-	287,815
Accounts Receivable	13,529	1,459	7,048	-	22,036
Due From Other Governments	-	70,000	-	-	70,000
<b>Total Assets</b>	<u>\$ 13,529</u>	<u>\$ 168,008</u>	<u>\$ 198,314</u>	<u>\$ -</u>	<u>\$ 379,851</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	13,174	-	-	-	13,174
<b>Total Liabilities</b>	<u>13,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,174</u>
Deferred Inflows of Resources	13,529	70,000	-	-	83,529
<b>Total Liabilities and Deferred Inflows Of Resources</b>	<u>26,703</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>96,703</u>
<b>Fund Balances</b>					
<b>Restricted for:</b>					
Redevelopment	-	98,008	-	-	98,008
Perpetual Care	-	-	198,314	-	198,314
<b>Assigned:</b>					
Capital Projects	(13,174)	-	-	-	(13,174)
<b>Total Fund Balances</b>	<u>(13,174)</u>	<u>98,008</u>	<u>198,314</u>	<u>-</u>	<u>283,148</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 13,529</u>	<u>\$ 168,008</u>	<u>\$ 198,314</u>	<u>\$ -</u>	<u>\$ 379,851</u>



**MORGAN CITY  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURE, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue	RDA	Perpetual Care	Utility Enhancement	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 28,766	\$ 72,643	\$ -	\$ -	\$ 101,409
Charges for services	-	32,885	15,000	-	47,885
Interest	2,509	201	822	-	3,532
<b>Total Revenues</b>	<b>31,275</b>	<b>105,729</b>	<b>15,822</b>	<b>-</b>	<b>152,826</b>
<b>EXPENDITURES</b>					
<b>Current Operating:</b>					
General Government	-	73,700	-	159	73,859
<b>Total Expenditures</b>	<b>-</b>	<b>73,700</b>	<b>-</b>	<b>159</b>	<b>73,859</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>31,275</b>	<b>32,029</b>	<b>15,822</b>	<b>(159)</b>	<b>78,967</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers-In	-	-	-	-	-
Transfers-Out	-	-	-	-	-
<b>Total other financing     sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues     over Expenditures</b>	<b>31,275</b>	<b>32,029</b>	<b>15,822</b>	<b>(159)</b>	<b>78,967</b>
<b>Fund Balances at Beginning of Year</b>	<b>(44,449)</b>	<b>65,979</b>	<b>182,492</b>	<b>159</b>	<b>204,181</b>
<b>Fund Balances at End of Year</b>	<b>\$ (13,174)</b>	<b>\$ 98,008</b>	<b>\$ 198,314</b>	<b>\$ -</b>	<b>\$ 283,148</b>

# **AUDITORS' REPORTS**



Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards*

To the Mayor and City Council  
Morgan City

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Morgan City's basic financial statements, and have issued our report thereon dated November 25, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Christensen, Palmer & Ambrose P.C.*

November 25, 2014



Independent Auditor's Report on Compliance and on  
Internal Controls Over Compliance in Accordance With the  
State of Utah Legal Compliance Audit Guide

To the Mayor and City Council  
Morgan City

**REPORT ON COMPLIANCE**

We have audited Morgan City's compliance with the general program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2014.

The general compliance requirements applicable to Morgan City are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Nepotism
- Budget Notice and Format

Morgan City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2014.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the City's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the 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 the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major programs occurred. 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.

***Opinion***

In our opinion, Morgan City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2014.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Purpose of Report***

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

*Christensen, Palmer & Ambrose P.C.*

November 25, 2014