

**MORGAN CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2013**

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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, 2013, 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, 2013, 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 39-41 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 21, 2013 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 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

This document is a narrative overview and analysis of the financial activities of Morgan City for the fiscal year ending June 30, 2013. 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, 2013**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2013 and 2012 follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and investments	\$ 733,349	\$ 412,976	\$ 1,614,237	\$ 2,525,025	\$ 2,347,586	\$ 2,938,001
Other assets	623,727	1,368,165	406,885	384,911	1,030,612	1,753,076
Capital assets	3,811,529	3,758,314	7,034,163	6,654,780	10,845,692	10,413,094
Total assets	5,168,605	5,539,455	9,055,285	9,564,716	14,223,890	15,104,171
LIABILITIES						
Current liabilities	64,921	715,969	250,008	161,098	314,929	877,067
Noncurrent liabilities	160,372	270,158	702,000	1,792,076	862,372	2,062,234
Total liabilities	225,293	986,127	952,008	1,953,174	1,177,301	2,939,301
Deferred inflows of resources	368,283	325,993	-	-	368,283	325,993
Total liabilities & deferred inflows	593,576	1,312,120	952,008	1,953,174	1,545,584	3,265,294
NET POSITION						
Net investment in capital assets	3,722,378	3,655,114	5,244,926	4,856,187	8,967,304	8,511,301
Restricted	375,683	382,174	145,094	278,429	520,777	660,603
Unrestricted	476,968	190,047	2,713,257	2,476,926	3,190,225	2,666,973
Total net position	\$ 4,575,029	\$ 4,227,335	\$ 8,103,277	\$ 7,611,542	\$ 12,678,306	\$ 11,838,877

During the year ended June 30, 2013 there were some significant events that changed the components of net position. An explanation of these events follows:

Governmental Activities:

- The City paid off \$616,000 in special assessment debt.
- The City added \$186,856 in land improvements.
- The City reduced accounts payable by \$104,735.
- The City's property tax and sales tax revenues increased by \$64,756 and \$61,939, respectively.

MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2013 and 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 203,367	\$ 279,781	\$ 3,396,266	\$ 3,305,279	\$ 3,599,633	\$ 3,585,060
Grants & contribution	163,027	208,923	-	-	163,027	208,923
General revenues:						
Taxes	1,053,321	897,580	-	-	1,053,321	897,580
Interest	18,525	22,380	16,715	16,869	35,240	39,249
Transfers & misc.	65,301	44,559	-	-	65,301	44,559
Total revenues	1,503,541	1,453,223	3,412,981	3,322,148	4,916,522	4,775,371
Expenses:						
General government	330,508	314,548	-	-	330,508	314,548
Public safety	169,320	226,976	-	-	169,320	226,976
Public works	365,959	495,405	-	-	365,959	495,405
Parks and recreation	150,838	130,287	-	-	150,838	130,287
Cemetery	128,649	105,998	-	-	128,649	105,998
Shop	7,089	7,821	-	-	7,089	7,821
Interest	3,484	5,949	-	-	3,484	5,949
Water	-	-	589,295	513,760	589,295	513,760
Sewer	-	-	431,876	404,756	431,876	404,756
Electric	-	-	1,661,408	1,726,690	1,661,408	1,726,690
Sanitation	-	-	238,667	220,351	238,667	220,351
Total expenses	1,155,847	1,286,984	2,921,246	2,865,557	4,077,093	4,152,541
Change in net position	347,694	166,239	491,735	456,591	839,429	622,830
Beginning net position	4,227,335	4,088,108	7,611,542	7,168,106	11,838,877	11,256,214
Prior period adjustments	-	(27,012)	-	(13,155)	-	(40,167)
Beginning net position, restated	4,227,335	4,061,096	7,611,542	7,154,951	11,838,877	11,216,047
Ending net position	\$ 4,575,029	\$ 4,227,335	\$ 8,103,277	\$ 7,611,542	\$ 12,678,306	\$ 11,838,877

Governmental activities:

For the year ended June 30, 2013, the total revenues for the governmental activities were \$1,503,541. Program revenues totaled \$366,394. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$1,137,147. The major sources of general revenues are taxes and interest earnings. Taxes comprise 70% of the City's general fund revenues. Property taxes and sales taxes increased by \$64,756 and \$61,939 respectively. Grants and donations decreased by \$45,896.

MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Business-type activities:

For the year ended June 30, 2013, the total revenues for the business-type activities were \$3,412,981. Program revenues total \$3,396,266. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$16,715 in interest income. The water, electric, and sanitation funds had operating income of \$84,253, \$428,237, and \$14,172, while the sewer fund had an operating loss of \$4,437. All user fee collections increased due to growth except for the water fund and it had a slight decrease.

Budgetary Highlights

Over the course of the year the City Council revised the budget twice to make small modifications to accommodate unexpected expenditures. In total, the general fund's expenditures were \$192,924 less than was budgeted. All departments and funds maintained expenditures within their appropriations.

Capital Assets

At June 30, 2013 the City had \$10,845,692 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 increase (additions, deductions, and depreciation) of \$432,598, or 4.2% over last year.

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 200,480	\$ 200,480	\$ 90,969	\$ 90,969	\$ 291,449	\$ 291,449
Construction in Progress	-	-	-	44,319	-	44,319
Water Stock	-	-	90,114	90,114	90,114	90,114
Improvements	562,926	376,070	-	-	562,926	376,070
Buildings	918,937	918,937	123,824	53,187	1,042,761	972,124
Equipment	593,865	553,971	582,704	557,589	1,176,569	1,111,560
Utility Systems	-	-	9,704,031	9,090,965	9,704,031	9,090,965
Infrastructure	4,208,770	4,208,771	-	-	4,208,770	4,208,771
Subtotal	6,484,978	6,258,229	10,591,642	9,927,143	17,076,620	16,185,372
Accum Depreciation	(2,673,449)	(2,499,915)	(3,557,479)	(3,272,363)	(6,230,928)	(5,772,278)
Capital Assets, Net	<u>\$ 3,811,529</u>	<u>\$ 3,758,314</u>	<u>\$ 7,034,163</u>	<u>\$ 6,654,780</u>	<u>\$ 10,845,692</u>	<u>\$ 10,413,094</u>

The most significant additions to capital assets were \$254,878 water system improvements, \$254,141 electric system improvements, and \$186,856 in land improvements.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Debt Outstanding

At year-end, the City had \$893,421 in long term liabilities outstanding versus \$2,639,387 last year, a decrease of \$1,745,966.

There was a total of \$1,806,428 in debt retired during the year.

Governmental Activities:	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Special Assessment Bonds	\$ 616,000	\$ -	\$ (616,000)	\$ -	\$ -
Series 2010 Road Bonds	83,000	-	(9,000)	74,000	10,000
Capital Lease - International	20,200	-	(5,049)	15,151	5,049
Total Debt	719,200	-	(630,049)	89,151	15,049
Compensated Absences	95,920	60,462	(70,112)	86,270	-
<i>Total Governmental Activities</i>	<u>\$ 815,120</u>	<u>\$ 60,462</u>	<u>\$ (700,161)</u>	<u>\$ 175,421</u>	<u>\$ 15,049</u>

Business-type Activities:	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Series 2003 Water Bonds	\$ 1,091,267	\$ -	\$(1,091,267)	\$ -	\$ -
Series 2010 Sewer Bonds	733,000	-	(15,000)	718,000	16,000
Total Debt	1,824,267	-	(1,106,267)	718,000	16,000
<i>Total Business-type Activities</i>	<u>\$ 1,824,267</u>	<u>\$ -</u>	<u>\$(1,106,267)</u>	<u>\$ 718,000</u>	<u>\$ 16,000</u>

There were two major refundings in 2013 that involved interfund borrowing in order to facilitate those payoffs. The Special Revenue Fund received \$739,501 in revenues from a foreclosed property and used this money along with an interfund loan from the General Fund of \$44,449 to pay off the Special Assessment Bonds. The interfund loan is not expected to be paid off within a year.

The Electric Fund loaned money to the Water Fund with established payment arrangement in order for the Water Fund to pay off the 2003 Water Bonds.

For more detail on the interfund loan between the Water Fund and the Electric Fund, see the notes to the financial statements.

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, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash	\$ 366,581	\$ 1,469,143	\$ 1,835,724
Restricted Cash	366,768	145,094	511,862
Accounts Receivable (Net)	53,735	302,769	356,504
Due From Other Governments	513,014	-	513,014
Interfund Balances	48,479	(48,479)	-
Inventory	-	133,554	133,554
Prepaid Expenses	8,499	19,041	27,540
Total Current Assets	1,357,076	2,021,122	3,378,198
Noncurrent Assets:			
Capital Assets:			
Water Shares	-	90,114	90,114
Land	200,480	90,969	291,449
Buildings and Improvements	1,481,863	123,824	1,605,687
Machinery and Equipment	593,864	582,704	1,176,568
Infrastructure and Utility Systems	4,208,771	9,704,031	13,912,802
Less Accumulated Depreciation	(2,673,449)	(3,557,479)	(6,230,928)
Total Capital Assets, Net	3,811,529	7,034,163	10,845,692
Total Assets	5,168,605	9,055,285	14,223,890
Liabilities and Deferred Inflows of Resources			
Current Liabilities:			
Accounts Payable	30,727	217,528	248,255
Other Accrued Liabilities	19,145	16,480	35,625
Noncurrent Due Within One Year	15,049	16,000	31,049
Total Current Liabilities	64,921	250,008	314,929
Noncurrent Liabilities:			
Due in More Than One Year	160,372	702,000	862,372
Total Noncurrent Liabilities	160,372	702,000	862,372
Deferred Inflows of Resources	368,283	-	368,283
Total Liabilities and Deferred Inflows of Resources	593,576	952,008	1,545,584
NET POSITION			
Net Investment in Capital Assets	3,722,378	5,244,926	8,967,304
Restricted For:			
Class "C" Roads	79,952	-	79,952
Impact Fees	41,320	101,753	143,073
Debt Service	5,940	43,341	49,281
Redevelopment Agency	65,979	-	65,979
Perpetual Care	182,492	-	182,492
Unrestricted	476,968	2,713,257	3,190,225
Total Net Position	\$ 4,575,029	\$ 8,103,277	\$ 12,678,306

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

MORGAN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Governmental Activities				
General Government	\$ 330,508	\$ 100,483	\$ 3,286	\$ 10,000
Public Safety	169,320	44,041	-	-
Public Works	365,959	13,443	149,741	-
Parks and Recreation	150,838	11,405	-	-
Cemetery	128,649	33,995	-	-
Shop	7,089	-	-	-
Interest Expense	3,484	-	-	-
Total Governmental Activities	1,155,847	203,367	153,027	10,000
Business-type Activities				
Water	589,295	645,110	-	-
Sewer	431,876	400,117	-	-
Electric	1,661,408	2,098,200	-	-
Sanitation	238,667	252,839	-	-
Total Business-type Activities	2,921,246	3,396,266	-	-
Total Government	\$ 4,077,093	\$ 3,599,633	\$ 153,027	10,000

General Revenues:

Taxes

Property

Sales and Use

Fee in Lieu

Telecommunication

Interest and Investment Earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

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

Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (216,739)	\$ -	\$ (216,739)
(125,279)	-	(125,279)
(202,775)	-	(202,775)
(139,433)	-	(139,433)
(94,654)	-	(94,654)
(7,089)	-	(7,089)
(3,484)	-	(3,484)
(789,453)	-	(789,453)
-	55,815	55,815
-	(31,759)	(31,759)
-	436,792	436,792
-	14,172	14,172
-	475,020	475,020
(789,453)	475,020	(314,433)
413,841	-	413,841
554,588	-	554,588
37,621	-	37,621
47,271	-	47,271
18,525	16,715	35,240
65,301	-	65,301
1,137,147	16,715	1,153,862
347,694	491,735	839,429
4,227,335	7,611,542	11,838,877
\$ 4,575,029	\$ 8,103,277	\$ 12,678,306

**MORGAN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 11,422	\$ -	\$ 355,159	\$ 366,581
Restricted Cash	127,212	-	239,556	366,768
Due from Other Funds	92,928	-	-	92,928
Accounts Receivable	967	42,295	10,473	53,735
Due From Other Governments	427,676	-	85,338	513,014
Prepaid Expenses	8,499	-	-	8,499
TOTAL ASSETS	\$ 668,704	\$ 42,295	\$ 690,526	\$ 1,401,525
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 28,831	\$ -	\$ 1,896	\$ 30,727
Due to Other Funds	-	44,449	-	44,449
Other Accrued Liabilities	19,145	-	-	19,145
TOTAL LIABILITIES	47,976	44,449	1,896	94,321
DEFERRED INFLOWS OF RESOURCES	283,283	42,295	85,000	410,578
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	331,259	86,744	86,896	504,899
FUND BALANCES				
Non-spendable:				
Prepays	8,499	-	-	8,499
Restricted for:				
Class C Roads	79,952	-	-	79,952
Road Impact Fees	28,830	-	-	28,830
Park Impact Fees	12,490	-	-	12,490
Debt Service	5,940	-	-	5,940
Redevelopment Agency	-	-	65,979	65,979
Perpetual Care	-	-	182,492	182,492
Assigned:				
Utility Enhancement	-	-	159	159
Capital Projects	-	-	355,000	355,000
Unassigned	201,734	(44,449)	-	157,285
TOTAL FUND BALANCES	337,445	(44,449)	603,630	896,626
TOTAL LIABILITIES, DEFERRED OUTFLOWS AND FUND BALANCES	\$ 668,704	\$ 42,295	\$ 690,526	\$ 1,401,525

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, 2013**

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

Total fund balances--total governmental funds	\$ 896,626
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	3,811,529
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.	42,295
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:	
CID Road Bond Series 2010	(74,000)
Capital Lease	(15,151)
Compensated Absences	<u>(86,270)</u>
Net position of governmental activities	<u><u>\$ 4,575,029</u></u>

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, 2013

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 967,635	\$ -	\$ 85,686	\$ 1,053,321
Licenses and Permits	55,318	-	-	55,318
Intergovernmental	163,027	-	-	163,027
Charges for services	71,320	37,845	14,320	123,485
Fines	4,296	-	-	4,296
Other Revenues	98,399	701,656	1,742	801,797
Total Revenues	1,359,995	739,501	101,748	2,201,244
EXPENDITURES				
Current Operating:				
General Government	240,065	15,417	69,448	324,930
Public Safety	169,320	-	-	169,320
Public Works	186,423	-	-	186,423
Parks and Recreation	126,700	-	-	126,700
Cemetery	125,334	-	-	125,334
Shop	7,089	-	-	7,089
Debt Service:				
Principal	14,049	616,000	-	630,049
Interest	3,484	21,683	-	25,167
Capital Outlay	253,749	-	-	253,749
Total Expenditures	1,126,213	653,100	69,448	1,848,761
Excess of Revenues Over (Under) Expenditures	233,782	86,401	32,300	352,483
OTHER FINANCING SOURCES (USES)				
Transfers-In	102,500	-	355,000	457,500
Transfers-Out	(355,000)	-	(102,500)	(457,500)
Total Other Financing Sources (Uses)	(252,500)	-	252,500	-
Net Change in Fund Balances	(18,718)	86,401	284,800	352,483
Fund Balances at Beginning of Year	356,163	(130,850)	318,830	544,143
Fund Balances at End of Year	\$ 337,445	\$ (44,449)	\$ 603,630	\$ 896,626

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, 2013

Net change in fund balance, total governmental funds \$ 352,483

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	253,749	
Depreciation Expense	<u>(200,536)</u>	53,213

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. (697,703)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. The long-term debt issued during the year are as follows:

Capital Lease - 2011 International 7400 Truck

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:

Special Assessment Bonds	616,000
CID Road Bond Series 2010	9,000
Capital Lease International Truck	5,049
Net change of Compensated Absences	<u>9,652</u>

Change in net position of governmental activities \$ 347,694

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

MORGAN CITY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Water</u>	<u>Sewer</u>
ASSETS		
Current Assets:		
Cash	\$ -	\$ -
Restricted Cash	6,453	101,978
Accounts Receivable (Net)	65,693	40,065
Inventory	33,121	1,191
Due from Other Funds	-	-
Prepaid Expenses	6,347	6,347
Total Current Assets	<u>111,614</u>	<u>149,581</u>
Noncurrent Assets:		
Capital Assets:		
Water Shares	90,114	-
Land	6,318	67,131
Buildings	7,125	7,125
Utility Systems	4,574,284	2,771,549
Machinery and Equipment	153,582	159,333
Less Accumulated Depreciation	<u>(1,571,683)</u>	<u>(1,141,092)</u>
Total Capital Assets, Net	<u>3,259,740</u>	<u>1,864,046</u>
Total Assets	<u><u>\$ 3,371,354</u></u>	<u><u>\$ 2,013,627</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 9,519	\$ 1,927
Due to Other Funds	99,821	13,630
Customer Deposits	2,500	-
Current Portion of Long-Term Obligations	<u>-</u>	<u>16,000</u>
Total Current Liabilities	<u>111,840</u>	<u>31,557</u>
Noncurrent Liabilities:		
Long-Term Obligations, Net of Current Portion	-	702,000
Due to Other Funds	<u>1,006,264</u>	<u>-</u>
Total Liabilities	<u>1,118,104</u>	<u>733,557</u>
NET POSITION		
Net Investment in Capital Assets	2,188,503	1,146,046
Restricted for Impact Fees	6,453	58,637
Restricted for Debt Service	-	43,341
Unrestricted	<u>58,294</u>	<u>32,046</u>
Total Net Position	<u>2,253,250</u>	<u>1,280,070</u>
Total Liabilities and Net Position	<u><u>\$ 3,371,354</u></u>	<u><u>\$ 2,013,627</u></u>

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

Electric	Sanitation	Total
\$ 1,272,596	\$ 196,547	\$ 1,469,143
36,663	-	145,094
174,425	22,586	302,769
99,242	-	133,554
1,071,236	-	1,071,236
6,347	-	19,041
2,660,509	219,133	3,140,837

-	-	90,114
17,520	-	90,969
31,812	77,762	123,824
2,358,198	-	9,704,031
269,789	-	582,704
(841,404)	(3,300)	(3,557,479)
1,835,915	74,462	7,034,163
\$ 4,496,424	\$ 293,595	\$ 10,175,000

\$ 146,989	\$ 59,093	\$ 217,528
-	-	113,451
13,980	-	16,480
-	-	16,000
160,969	59,093	363,459

-	-	702,000
-	-	1,006,264
160,969	59,093	2,071,723

1,835,915	74,462	5,244,926
36,663	-	101,753
-	-	43,341
2,462,877	160,040	2,713,257
4,335,455	234,502	8,103,277
\$ 4,496,424	\$ 293,595	\$ 10,175,000

MORGAN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water</u>	<u>Sewer</u>
Operating Revenues:		
Charges for Services	\$ 627,796	\$ 386,605
Other Operating Revenues	4,911	-
Total Operating Revenues	<u>632,707</u>	<u>386,605</u>
Operating Expenses:		
Personnel Services	179,087	160,460
Contractual Services	-	-
Purchases water/treatment/power/refuse	39,109	-
Supplies	65,847	9,896
Office Expense	27,207	23,648
Professional Services	19,512	26,490
Miscellaneous	24,675	7,572
Equipment and Maintenance	25,638	46,500
Utilities	38,110	38,287
Insurance	15,232	15,232
Depreciation	114,037	62,957
Total Operating Expenses	<u>548,454</u>	<u>391,042</u>
Operating Income (Loss)	<u>84,253</u>	<u>(4,437)</u>
Nonoperating Revenues (Expenses)		
Impact Fees	9,663	10,112
Connection Fees	2,740	3,400
Interest Revenue	327	13,471
Interest Expense	(40,841)	(40,834)
Total Nonoperating Revenues (Expenses)	<u>(28,111)</u>	<u>(13,851)</u>
Net Income (Loss) Before Contributions	56,142	(18,288)
Capital Contributions	-	-
Change in Net Position	<u>56,142</u>	<u>(18,288)</u>
Total Net Position - Beginning	<u>2,197,108</u>	<u>1,298,358</u>
Total Net Position - Ending	<u><u>\$ 2,253,250</u></u>	<u><u>\$ 1,280,070</u></u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,089,645	\$ 229,441	\$ 3,333,487
-	23,398	28,309
<u>2,089,645</u>	<u>252,839</u>	<u>3,361,796</u>
380,545	17,453	737,545
-	93,463	93,463
940,207	90,059	1,069,375
99,513	4,090	179,346
29,330	16,994	97,179
11,140	9,225	66,367
12,058	5,207	49,512
49,891	1,488	123,517
-	-	76,397
15,232	-	45,696
123,492	688	301,174
<u>1,661,408</u>	<u>238,667</u>	<u>2,839,571</u>
<u>428,237</u>	<u>14,172</u>	<u>522,225</u>
4,704	-	24,479
3,851	-	9,991
2,917	-	16,715
-	-	(81,675)
<u>11,472</u>	<u>-</u>	<u>(30,490)</u>
439,709	14,172	491,735
-	-	-
<u>439,709</u>	<u>14,172</u>	<u>491,735</u>
<u>3,895,746</u>	<u>220,330</u>	<u>7,611,542</u>
<u>\$ 4,335,455</u>	<u>\$ 234,502</u>	<u>\$ 8,103,277</u>

MORGAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 630,240	\$ 385,359
Cash Paid to Suppliers	(217,330)	(162,982)
Cash Paid to Employees	(179,087)	(160,460)
Net Cash Provided (Used) by Operating Activities	<u>233,823</u>	<u>61,917</u>
Cash Flows from Noncapital Financing Activities		
Transfers In/Out	-	-
Due to/from Other Funds	954,891	13,630
Net Cash Used in Noncapital Financing Activities	<u>954,891</u>	<u>13,630</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(217,259)	(91,990)
Principal Payments - Bonds	(1,091,267)	(15,000)
Interest Paid	(40,841)	(40,834)
Impact Fees Collected	9,663	10,112
Connection Fees Collected	2,740	3,400
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(1,336,964)</u>	<u>(134,312)</u>
Cash Flows from Investing Activities		
Interest on Investments	327	13,471
Net Cash Provided by Investing Activities	<u>327</u>	<u>13,471</u>
Net Increase (Decrease) in Cash	(147,923)	(45,294)
Cash - July 1	<u>154,376</u>	<u>147,272</u>
Cash - June 30	<u><u>\$ 6,453</u></u>	<u><u>\$ 101,978</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 84,253	\$ (4,437)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	114,037	62,957
Changes in Assets and Liabilities:		
Accounts Receivable	(2,467)	(1,246)
Inventory	11,303	(26)
Prepaid Expenses	(693)	(693)
Bond Issuance Costs Charged Off	18,762	7,056
Accounts Payable	6,128	(1,694)
Customer Deposits	<u>2,500</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 233,823</u></u>	<u><u>\$ 61,917</u></u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,128,846	\$ 254,074	\$ 3,398,519
(1,094,610)	(176,663)	(1,651,585)
(380,545)	(17,453)	(737,545)
<u>653,691</u>	<u>59,958</u>	<u>1,009,389</u>

-	-	-
<u>(1,071,236)</u>	<u>-</u>	<u>(102,715)</u>
<u>(1,071,236)</u>	<u>-</u>	<u>(102,715)</u>

(300,819)	(70,637)	(680,705)
-	-	(1,106,267)
-	-	(81,675)
4,704	-	24,479
3,851	-	9,991
<u>(292,264)</u>	<u>(70,637)</u>	<u>(1,834,177)</u>

<u>2,917</u>	<u>-</u>	<u>16,715</u>
<u>2,917</u>	<u>-</u>	<u>16,715</u>
(706,892)	(10,679)	(910,788)
<u>2,016,151</u>	<u>207,226</u>	<u>2,525,025</u>
<u>\$ 1,309,259</u>	<u>\$ 196,547</u>	<u>\$ 1,614,237</u>

\$ 428,237	\$ 14,172	\$ 522,225
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123,492	688	301,174
39,201	1,235	36,723
6,401	-	17,678
2,056	-	670
-	-	25,818
56,129	43,863	104,426
(1,825)	-	675
<u>\$ 653,691</u>	<u>\$ 59,958</u>	<u>\$ 1,009,389</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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.

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).

The following describes the nonmajor governmental funds of the City:

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

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, 2013

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, 2013

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, 2013

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, 2013

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, 2013

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 spent 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, 2013

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 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. 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.

Implementation of New Accounting Pronouncements

Beginning in 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*. This statement provided guidance on the presentation of deferred outflows and inflows of resources. GASB No. 63 also changes the name of the first statement from "Statement of Net Assets" to "Statement of Net Position." It also changes the name of equity from "Net Assets" to "Net Position."

The City also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes guidance from the classification of items that were previously reported as assets or liabilities that would now be classified as deferred outflows and inflows of resources. Implementation of this standard on the City's financial statements resulted in the expensing unamortized cost of issuance charges in the Water Fund and Sewer Fund in the amounts of \$18,618 and \$7,056 respectively.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 15th 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 1st, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. 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 15th 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.
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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Fund Equity Restrictions (continued)

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.

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, 2013, \$277,627 of the City’s bank balances of \$527,627 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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Deposits and Investments (continued)

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, 2013, the City had the following investments and maturities:

	<u>Carrying Amount</u>	<u>Market Value</u>
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	<u>\$ 1,756,857</u>	<u>\$ 1,765,679</u>

The GASB Fair Value factor at June 30, 2013 was 1.00502171

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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Deposits and Investments (continued)

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, 2013, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 590,729
PTIF investment	<u>1,756,857</u>
Total cash and investments	<u><u>\$ 2,347,586</u></u>

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

Cash	\$ 1,835,724
Restricted Cash	<u>511,862</u>
Total cash and investments	<u><u>\$ 2,347,586</u></u>

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MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, are as follows:

Governmental Activities:	General	Special Revenue	RDA	Perpetual Care	Total
Receivables:					
Accounts	\$ 967	\$ -	\$ 2,310	\$ 8,163	\$ 11,440
Special Assessment	-	42,295	-	-	42,295
Taxes	427,676	-	85,338	-	513,014
Gross receivables	428,643	42,295	87,648	8,163	566,749
Less: Allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u><u>\$ 428,643</u></u>	<u><u>\$ 42,295</u></u>	<u><u>\$ 87,648</u></u>	<u><u>\$ 8,163</u></u>	<u><u>\$ 566,749</u></u>

Accounts receivable for the City's Business-type Activities, including the applicable allowance for uncollectible accounts at June 30, 2013 are as follows:

Business-type Activities:	Water	Sewer	Electric	Sanitation	Total
Receivables:					
Accounts	\$ 70,810	\$ 43,186	\$ 188,013	\$ 24,345	\$ 326,354
Gross receivables	70,810	43,186	188,013	24,345	326,354
Less: Allowance for uncollectibles	(5,117)	(3,121)	(13,588)	(1,759)	(23,585)
Net total receivables	<u><u>\$ 65,693</u></u>	<u><u>\$ 40,065</u></u>	<u><u>\$ 174,425</u></u>	<u><u>\$ 22,586</u></u>	<u><u>\$ 302,769</u></u>

Due From Other Funds (Interfund Receivables/Payables)

At June 30, 2013, the City had three interfund receivables and payables.

1. The Sewer Fund owed \$13,630 to the General Fund. This was a short-term borrowing and will be paid back within one year.
2. The Water Fund owed \$34,849 to the General Fund. This was a short-term borrowing and will be paid back within one year.
3. The Special Revenue Fund owed \$44,449 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, 2013

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

Due From Other Funds (Interfund Receivables/Payables)

4. 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:

Year Ended June 30,	Due to Electric Fund from Water Fund		
	1.50%		
	Principal	Interest	Total
2014	\$ 64,972	\$ 15,623	\$ 80,595
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
Totals	\$ 1,071,236	\$ 124,257	\$ 1,195,493

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 200,480	\$ -	\$ -	\$ 200,480
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	200,480	-	-	200,480
Capital assets, being depreciated				
Land Improvements	376,070	186,856	-	562,926
Buildings	918,937	-	-	918,937
Machinery & Equipment	553,971	66,893	(27,000)	593,864
Infrastructure	4,208,771	-	-	4,208,771
Total capital assets, being depreciated	6,057,749	253,749	(27,000)	6,284,498
Accumulated Depreciation for:				
Land Improvements	(80,185)	(15,956)	-	(96,141)
Buildings	(187,886)	(16,829)	-	(204,715)
Machinery & Equipment	(405,258)	(35,421)	27,000	(413,679)
Infrastructure	(1,826,586)	(132,328)	-	(1,958,914)
Total accumulated depreciation	(2,499,915)	(200,534)	27,000	(2,673,449)
Total capital assets, being depreciated, net	3,557,834	53,215	-	3,611,049
Governmental activities capital assets, net	<u>\$ 3,758,314</u>	<u>\$ 53,215</u>	<u>\$ -</u>	<u>\$ 3,811,529</u>

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

Governmental Activities:

General Government	\$ 15,229
Public Safety	-
Public Works	157,853
Parks and Recreation	24,138
Cemetery	3,316
Shop	-
Total Depreciation Expense	<u>\$ 200,536</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Capital Assets (continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Water Stock	\$ 90,114	\$ -	\$ -	\$ 90,114
Land	90,969	-	-	90,969
Construction in Progress	44,319	-	(44,319)	-
Total capital assets, not being depreciated	<u>225,402</u>	<u>-</u>	<u>(44,319)</u>	<u>181,083</u>
Capital assets, being depreciated				
Buildings	53,187	70,637	-	123,824
Machinery & Equipment	557,589	41,325	(16,210)	582,704
Systems	9,090,965	613,066	-	9,704,031
Total capital assets, being depreciated	<u>9,701,741</u>	<u>725,028</u>	<u>(16,210)</u>	<u>10,410,559</u>
Accumulated Depreciation for:				
Buildings	(35,136)	(1,222)	-	(36,358)
Machinery & Equipment	(338,215)	(40,666)	16,063	(362,818)
Systems	(2,899,012)	(259,291)	-	(3,158,303)
Total accumulated depreciation	<u>(3,272,363)</u>	<u>(301,179)</u>	<u>16,063</u>	<u>(3,557,479)</u>
Total capital assets, being depreciated, net	<u>6,429,378</u>	<u>423,849</u>	<u>(147)</u>	<u>6,853,080</u>
Business-type activities capital assets, net	<u><u>\$ 6,654,780</u></u>	<u><u>\$ 423,849</u></u>	<u><u>\$ (44,466)</u></u>	<u><u>\$ 7,034,163</u></u>

Depreciation Expense was charged to the proprietary funds as follows:

Business-type Activities:

Water Fund	\$ 114,038
Sewer Fund	62,956
Electric Fund	123,492
Sanitation Fund	<u>688</u>
Total Depreciation Expense	<u><u>\$ 301,174</u></u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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:

<u>Transfers In</u>			
<u>Transfers Out</u>	<u>Capital Projects Fund</u>	<u>General Fund</u>	<u>Total</u>
General Fund	\$ 355,000	\$ -	\$ 355,000
Perpetual Care		102,500	102,500
Totals	<u>\$ 355,000</u>	<u>\$ 102,500</u>	<u>\$ 457,500</u>

Long-Term Liabilities

Special Assessment Bonds: Special Assessment bonds were repaid through collection of assessments against property owners who benefited from capital improvements made as a result of the establishment of the Special Improvement District. In 2013 the City paid off the remaining balance of \$616,000 in special assessment debt.

The interest expense for the Special Assessment bonds of \$21,683 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

Series 2010 Road Bonds: Road bonds are repaid through Class 'C' road funds that are used to make improvements to roads for the City. Both interest and principal are paid on the 1st of July each year. The bonds mature on July 1st, 2020 and the interest rate is 3.5%. The City is obligated to pay Road bonds and interest due July 1st each year to the following extent:

Series 2010 Road Bonds			
Year Ended June 30,	3.50%		
	Principal	Interest	Total
2014	\$ 10,000	\$ 2,590	\$ 12,590
2015	10,000	2,240	12,240
2016	10,000	1,890	11,890
2017	11,000	1,540	12,540
2018	11,000	1,155	12,155
2019	11,000	770	11,770
2020	11,000	385	11,385
Totals	<u>\$ 74,000</u>	<u>\$ 10,570</u>	<u>\$ 84,570</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Long-Term Liabilities (continued)

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. Annual payments are to be made August 1 of each year. The lease will mature on August 1, 2015. The amortization of the lease is as follows:

Year Ended June 30,	Capital Lease - 2011 International 7400 3.75%		
	Principal	Interest	Total
2014	\$ 5,049	\$ 568	\$ 5,617
2015	5,050	379	5,429
2016	5,052	187	5,239
Totals	\$ 15,151	\$ 1,134	\$ 16,285

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

Governmental Activities:	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Special Assessment Bonds	\$ 616,000	\$ -	\$ (616,000)	\$ -	\$ -
Series 2010 Road Bonds	83,000	-	(9,000)	74,000	10,000
Capital Lease - International	20,200	-	(5,049)	15,151	5,049
Total Debt	719,200	-	(630,049)	89,151	15,049
Compensated Absences	95,920	60,462	(70,112)	86,270	-
<i>Total Governmental Activities</i>	\$ 815,120	\$ 60,462	\$ (700,161)	\$ 175,421	\$ 15,049

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Long-Term Liabilities (continued)

Water Revenue Bond, Series 2003: The government issued a series 2003 bond to provide funds for improvements and construction of a culinary water project. Both Interest and principal are paid on the 11th of each month. The bonds were scheduled to mature on August 11, 2043. However, the City paid off the bonds in 2013 with the proceeds from an interfund loan from the Electric Fund. The amount paid off was \$1,091,267.

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 1st and principal and interest are paid on June 1st of each year. The bonds mature on June 1, 2036. The interest rate is 5.61%.

Year Ended June 30,	Series 2010 Sewer Revenue Bonds		
	5.61%		
	Principal	Interest	Total
2014	\$ 16,000	\$ 39,831	\$ 55,831
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 - 2023	118,000	160,334	278,334
2024 - 2028	155,000	122,214	277,214
2029 - 2033	203,000	72,397	275,397
2034 - 2036	152,000	13,071	165,071
Totals	\$ 718,000	\$ 557,354	\$ 1,275,354

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

Business-type Activities:	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Series 2003 Water Bonds	\$ 1,091,267	\$ -	\$ (1,091,267)	\$ -	\$ -
Series 2010 Sewer Bonds	733,000	-	(15,000)	718,000	16,000
Total Debt	1,824,267	-	(1,106,267)	718,000	16,000
<i>Total Business-type Activities</i>	<u>\$ 1,824,267</u>	<u>\$ -</u>	<u>\$ (1,106,267)</u>	<u>\$ 718,000</u>	<u>\$ 16,000</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Redevelopment Agency

The Morgan Redevelopment Agency has one project titled the Commercial Street Redevelopment Project. The Commercial Street Redevelopment Project collected \$85,686 in tax increment monies in the fiscal year ended June 30, 2013. This project did not have any outstanding debt at June 30, 2013, nor did it pay any taxes to a taxing agency.

The actual expenditures for the project consisted of the following:

1. \$3,253 for administrative costs of the project. .
2. \$66,195 for grants to local businesses.

Bond Resolution Compliance

Series 2010 Road Bonds

Bond Account: The bond documents require the City to allocate 1/12th of the following principal and interest payment each month to a bond account until the payment is due. The balance at June 30, 2013 was \$0.

Reserve Fund: Bond documents require the City to allocate \$165 each month into the reserve account from the time the bonds were issued until the total reserve fund balance equals \$10,100. The Reserve balance at June 30, 2013 totaled \$5,940.

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, 2013 was \$30,651.

Bond Account: The City is required by the bond documents to allocate 1/12th 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, 2013 was \$12,690.

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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

IV. OTHER INFORMATION (continued)

Retirement System (continued)

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 16.040 % of their annual covered salary from July 2012 through June 2013. 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, 2013, 2012, and 2011 were \$106,577, \$95,281, and \$94,879 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, 2013, 2012, and 2011 were as follows: \$11,790, \$10,845, and \$13,094 respectively.

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, 2013, \$0 had been paid in health care premiums on behalf of retired employees.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

IV. OTHER INFORMATION (continued)

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.

Stewardship, Compliance, and Accountability

For the year ended June 30, 2013, all of the general fund departments and other funds maintained expenditures within their appropriated amounts.

**REQUIRED
SUPPLEMENTARY INFORMATION**

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 257,000	\$ 280,993	\$ 320,962	\$ 39,969
Redemptions	7,000	44,000	7,193	(36,807)
Fee in Lieu	40,000	42,007	37,621	(4,386)
Sales and Use Taxes	500,000	545,000	554,588	9,588
Telecommunication and Franchise Fees	45,000	45,000	47,271	2,271
	<u>849,000</u>	<u>957,000</u>	<u>967,635</u>	<u>10,635</u>
Licenses and Permits:				
Business Licenses	15,000	15,000	13,756	(1,244)
Building Permits	18,000	39,000	39,072	72
Other Licenses	3,500	3,500	2,490	(1,010)
	<u>36,500</u>	<u>57,500</u>	<u>55,318</u>	<u>(2,182)</u>
Intergovernmental:				
Grants	20,000	10,000	10,000	-
Class "C" Road Fund Allotment	145,000	145,000	149,741	4,741
State Liquor Allotment	-	3,286	3,286	-
	<u>165,000</u>	<u>158,286</u>	<u>163,027</u>	<u>4,741</u>
Charges for Services:				
Ambulance	58,000	58,000	39,745	(18,255)
Parks	1,000	2,100	4,580	2,480
Cemetery	23,300	23,300	26,995	3,695
	<u>82,300</u>	<u>83,400</u>	<u>71,320</u>	<u>(12,080)</u>
Fines and Forfeitures	<u>7,500</u>	<u>7,500</u>	<u>4,296</u>	<u>(3,204)</u>
Other Revenues:				
Interest Earnings	12,800	12,800	12,830	30
Road Impact Fees	5,000	12,000	13,443	1,443
Park Impact Fees	2,500	4,500	6,825	2,325
Miscellaneous Revenue	20,000	35,000	65,301	30,301
	<u>40,300</u>	<u>64,300</u>	<u>98,399</u>	<u>34,099</u>
Total Revenues	<u>\$ 1,180,600</u>	<u>\$ 1,327,986</u>	<u>\$ 1,359,995</u>	<u>\$ 32,009</u>

(continued)

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Administrative	\$ 164,515	\$ 173,065	\$ 161,964	\$ 11,101
Court	3,000	2,000	360	1,640
Economic Development	60,000	60,000	54,498	5,502
Non-Departmental	20,000	10,000	10,000	-
Elections	-	650	274	376
Buildings	17,700	17,700	12,969	4,731
	<u>265,215</u>	<u>263,415</u>	<u>240,065</u>	<u>23,350</u>
Public Safety:				
Police Department	125,473	128,759	113,286	15,473
Fire Department	24,452	24,452	17,003	7,449
Ambulance	58,000	63,000	38,962	24,038
Animal Control	160	160	69	91
	<u>208,085</u>	<u>216,371</u>	<u>169,320</u>	<u>47,051</u>
Public Works				
Building Inspection	60,175	65,375	61,874	3,501
Road Department	408,500	283,800	192,275	91,525
	<u>468,675</u>	<u>349,175</u>	<u>254,149</u>	<u>95,026</u>
Parks	<u>150,540</u>	<u>226,540</u>	<u>218,762</u>	<u>7,778</u>
Recreation	<u>5,507</u>	<u>6,058</u>	<u>6,058</u>	<u>-</u>
Cemetery	<u>188,578</u>	<u>248,578</u>	<u>230,770</u>	<u>17,808</u>
Shop	<u>9,000</u>	<u>9,000</u>	<u>7,089</u>	<u>1,911</u>
Total Expenditures	<u>1,295,600</u>	<u>1,319,137</u>	<u>1,126,213</u>	<u>192,924</u>
Other financing sources (uses):				
Operating transfers in	72,500	102,500	102,500	-
Operating transfers (out)	-	(355,000)	(355,000)	-
Appropriations of Fund Balances	42,500	243,651	-	243,651
Total other financing sources (uses)	<u>115,000</u>	<u>(8,849)</u>	<u>(252,500)</u>	<u>243,651</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(18,718)</u>	<u>(18,718)</u>
Fund Balances at Beginning of Year	<u>356,163</u>	<u>356,163</u>	<u>356,163</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 356,163</u>	<u>\$ 356,163</u>	<u>\$ 337,445</u>	<u>\$ (18,718)</u>

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Assessment - Principal	\$ 99,000	\$ 539,000	\$ 697,703	\$ 158,703
Interest on Assessment	35,091	5,091	3,953	(1,138)
Charges for Services	2,760	109,009	37,845	(71,164)
Total Revenues	136,851	653,100	739,501	86,401
Expenditures:				
Contractual Expenses	2,760	15,417	15,417	-
Debt Service - Bond Principal	99,000	616,000	616,000	-
Debt Service - Bond Interest	35,091	21,683	21,683	-
Total Expenditures	136,851	653,100	653,100	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	86,401	86,401
Fund Balance - July 1	(130,850)	(130,850)	(130,850)	-
Fund Balance - June 30	\$ (130,850)	\$ (130,850)	\$ (44,449)	\$ 86,401

SUPPLEMENTARY INFORMATION

**MORGAN CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	Capital Projects	RDA	Perpetual Care	Utility Enhancement	Total Nonmajor Governmental Funds
Assets					
Cash	\$ 355,000	\$ -	\$ -	\$ 159	\$ 355,159
Restricted Cash	-	65,227	174,329	-	239,556
Accounts Receivable	-	2,310	8,163	-	10,473
Due From Other Governments	-	85,338	-	-	85,338
Total Assets	\$ 355,000	\$ 152,875	\$ 182,492	\$ 159	\$ 690,526
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts Payable	\$ -	\$ 1,896	\$ -	\$ -	\$ 1,896
Total Liabilities	-	1,896	-	-	1,896
Deferred Inflows of Resources	-	85,000	-	-	85,000
Total Liabilities and Deferred Inflows Of Resources	-	86,896	-	-	86,896
Fund Balances					
Restricted for:					
Redevelopment	-	65,979	-	-	65,979
Perpetual Care	-	-	182,492	-	182,492
Assigned:					
Utility Enhancement	-	-	-	159	159
Capital Projects	355,000	-	-	-	355,000
Total Fund Balances	355,000	65,979	182,492	159	603,630
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 355,000	\$ 152,875	\$ 182,492	\$ 159	\$ 690,526

MORGAN CITY
COMBINING STATEMENT OF REVENUES,
EXPENDITURE, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Capital Projects	RDA	Perpetual Care	Utility Enhancement	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ 85,686	\$ -	\$ -	\$ 85,686
Charges for services	-	7,320	7,000	-	14,320
Interest	-	300	1,442	-	1,742
Total Revenues	-	93,306	8,442	-	101,748
EXPENDITURES					
Current Operating:					
General Government	-	69,448	-	-	69,448
Miscellaneous	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	-	69,448	-	-	69,448
Excess of Revenues Over (Under) Expenditures	-	23,858	8,442	-	32,300
OTHER FINANCING SOURCES (USES)					
Transfers-In	355,000	-	-	-	355,000
Transfers-Out	-	-	(102,500)	-	(102,500)
Total other financing sources (uses)	355,000	-	(102,500)	-	252,500
Excess (Deficiency) of Revenues over Expenditures	355,000	23,858	(94,058)	-	284,800
Fund Balances at Beginning of Year	-	42,121	276,550	159	318,830
Fund Balances at End of Year	\$ 355,000	\$ 65,979	\$ 182,492	\$ 159	\$ 603,630

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, 2013, 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 21, 2013.

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 21, 2013



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, 2013.

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

- Cash Management
- Budgetary Compliance
- Fund Balance
- Impact Fees
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds
- Government Records Access Management Act
- Open and Public Meetings Act
- B & C Road Funds

Morgan City did not receive any major assistance programs from the State of Utah during the year ended June 30, 2013.

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, 2013.

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 21, 2013