

**MORGAN CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2012**

**MORGAN CITY, UTAH
YEAR ENDED JUNE 30, 2012
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
Morgan City

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, 2012, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012 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* and should be considered in assessing the results of our audit.

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 through 7 and 38 through 40 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Christensen, Palmer & Ambrose P.C.

November 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

This document is a narrative overview and analysis of the financial activities of Morgan City for the fiscal year ending June 30, 2012. 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 Assets 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 assets, revenues, expenses and changes in net assets, 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, 2012**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2012 and 2011 follows:

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
ASSETS						
Cash and investments	\$ 412,976	\$ 452,754	\$ 2,525,025	\$ 2,645,957	\$ 2,938,001	\$ 3,098,711
Other assets	1,368,165	1,289,959	384,911	340,215	1,753,076	1,630,174
Capital assets	<u>3,758,314</u>	<u>3,553,067</u>	<u>6,654,780</u>	<u>6,125,325</u>	<u>10,413,094</u>	<u>9,678,392</u>
Total assets	<u>5,539,455</u>	<u>5,295,780</u>	<u>9,564,716</u>	<u>9,111,497</u>	<u>15,104,171</u>	<u>14,407,277</u>
LIABILITIES						
Other liabilities	715,969	556,241	161,098	119,104	877,067	675,345
Long term liabilities	<u>596,151</u>	<u>651,431</u>	<u>1,792,076</u>	<u>1,824,287</u>	<u>2,388,227</u>	<u>2,475,718</u>
Total liabilities	<u>1,312,120</u>	<u>1,207,672</u>	<u>1,953,174</u>	<u>1,943,391</u>	<u>3,265,294</u>	<u>3,151,063</u>
NET ASSETS						
Invested in capital assets, net of related debt	3,039,114	2,890,067	4,856,187	4,991,011	7,895,301	7,881,078
Restricted	382,174	545,474	278,429	486,349	660,603	1,031,823
Unrestricted	<u>806,047</u>	<u>652,567</u>	<u>2,476,926</u>	<u>1,690,746</u>	<u>3,282,973</u>	<u>2,343,313</u>
Total net assets	<u>\$ 4,227,335</u>	<u>\$ 4,088,108</u>	<u>\$ 7,611,542</u>	<u>\$ 7,168,106</u>	<u>\$11,838,877</u>	<u>\$11,256,214</u>

During the year ended June 30, 2012 there were several significant events that changed the components of net assets. An explanation of these events follows:

Governmental Activities:

- The City saw a reduction in fine revenues of \$32,022.
- The City received no contributions from developers during the fiscal year.
- The City's sales tax revenue increased by \$53,312.
- The City purchased a new International 7400 dump truck for \$120,195.
- The City added \$214,413 to their infrastructure.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2012 and 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 279,781	\$ 175,772	\$ 3,305,279	\$ 3,154,357	\$ 3,585,060	\$ 3,330,129
Grants and contributions	208,923	268,047	-	3,836	208,923	271,883
General revenues:						
Taxes	897,580	839,216	-	-	897,580	839,216
Interest	22,380	9,730	16,869	9,279	39,249	19,009
Transfers & misc.	44,559	74,239	-	-	44,559	74,239
Total revenues	<u>1,453,223</u>	<u>1,367,004</u>	<u>3,322,148</u>	<u>3,167,472</u>	<u>4,775,371</u>	<u>4,534,476</u>
Expenses:						
General government	314,548	349,840	-	-	314,548	349,840
Public safety	226,976	246,402	-	-	226,976	246,402
Public works	495,405	438,603	-	-	495,405	438,603
Parks and recreation	130,287	85,432	-	-	130,287	85,432
Cemetery	105,998	115,402	-	-	105,998	115,402
Shop	7,821	7,292	-	-	7,821	7,292
Interest	5,949	4,187	-	-	5,949	4,187
Water	-	-	513,760	551,409	513,760	551,409
Sewer	-	-	404,756	353,399	404,756	353,399
Electric	-	-	1,726,690	1,629,997	1,726,690	1,629,997
Sanitation	-	-	220,351	205,227	220,351	205,227
Total expenses	<u>1,286,984</u>	<u>1,247,158</u>	<u>2,865,557</u>	<u>2,740,032</u>	<u>4,152,541</u>	<u>3,987,190</u>
Change in net assets	<u>166,239</u>	<u>119,846</u>	<u>456,591</u>	<u>427,440</u>	<u>622,830</u>	<u>547,286</u>
Beginning net assets	4,088,108	4,076,680	7,168,106	6,740,666	11,256,214	10,817,346
Prior period adjustments	<u>(27,012)</u>	<u>(108,418)</u>	<u>(13,155)</u>	<u>-</u>	<u>(40,167)</u>	<u>(108,418)</u>
Beginning net assets, restated	<u>4,061,096</u>	<u>3,968,262</u>	<u>7,154,951</u>	<u>6,740,666</u>	<u>11,216,047</u>	<u>10,708,928</u>
Ending net assets	<u>\$ 4,227,335</u>	<u>\$ 4,088,108</u>	<u>\$ 7,611,542</u>	<u>\$ 7,168,106</u>	<u>\$11,838,877</u>	<u>\$11,256,214</u>

Governmental activities:

For the year ended June 30, 2012, the total revenues for the governmental activities were \$1,453,223. Program revenues totaled \$488,704. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$964,519. The major sources of general revenues are taxes and interest earnings. Taxes comprise 62% of the City's general fund revenues. Building permits increased by \$5,012.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Business-type activities:

For the year ended June 30, 2012, the total revenues for the business-type activities were \$3,322,148. Program revenues total \$3,305,279. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$16,869 in interest income. The City had decreases in the purchase of power by \$52,145, while electric fund operating revenues increased by \$43,877. The water, sewer, and sanitation funds had operating income of \$97,882, \$20,473 and \$4,594. 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 once to make small modifications to accommodate unexpected expenditures. In total, the general fund's expenditures were \$96,481 less than was budgeted.

Capital Assets

At June 30, 2012 the City had \$10,413,094 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 \$761,252, or 7.9% over last year.

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 200,480	\$ 200,480	\$ 90,969	\$ 43,669	\$ 291,449	\$ 244,149
Construction in Progress	-	116,085	44,319	267,979	44,319	384,064
Water Stock	-	-	90,114	90,114	90,114	90,114
Improvements	376,070	274,174	-	-	376,070	274,174
Buildings	918,937	868,974	53,187	53,187	972,124	922,161
Equipment	553,971	417,075	557,589	560,350	1,111,560	977,425
Utility Systems	-	-	9,090,965	8,093,225	9,090,965	8,093,225
Infrastructure	4,208,771	3,994,358	-	-	4,208,771	3,994,358
Subtotal	6,258,229	5,871,146	9,927,143	9,108,524	16,185,372	14,979,670
Accum Depreciation	(2,499,915)	(2,318,079)	(3,272,363)	(3,009,749)	(5,772,278)	(5,327,828)
Capital Assets, Net	<u>\$ 3,758,314</u>	<u>\$ 3,553,067</u>	<u>\$ 6,654,780</u>	<u>\$ 6,098,775</u>	<u>\$ 10,413,094</u>	<u>\$ 9,651,842</u>

The most significant additions to capital assets were \$997,740 utility system upgrades, general fund infrastructure additions of \$214,413, and the purchase of a 2011 International 7400 truck for \$120,195.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Debt Outstanding

At year-end, the City had \$2,639,387 in long term liabilities outstanding versus \$2,729,645 last year, a decrease of \$90,258.

There was a total of \$171,516 in debt retired during the year.

Governmental Activities:	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Special Assessment Bonds	\$ 663,000	\$ -	\$ (47,000)	\$ 616,000	\$ 109,000
Series 2010 Road Bonds	101,000	-	(18,000)	83,000	9,000
Capital Lease - International	-	20,200	-	20,200	5,049
Total Debt	<u>764,000</u>	<u>20,200</u>	<u>(65,000)</u>	<u>719,200</u>	<u>123,049</u>
Compensated Absences	<u>107,881</u>	<u>61,058</u>	<u>(73,019)</u>	<u>95,920</u>	<u>95,920</u>
<i>Total Governmental Activities</i>	<u><u>\$ 871,881</u></u>	<u><u>\$ 81,258</u></u>	<u><u>\$ (138,019)</u></u>	<u><u>\$ 815,120</u></u>	<u><u>\$ 218,969</u></u>

Business-type Activities:	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Series 2003 Water Bonds	\$ 1,107,764	\$ -	\$ (16,497)	\$ 1,091,267	\$ 17,191
Series 2010 Sewer Bonds	<u>750,000</u>	<u>-</u>	<u>(17,000)</u>	<u>733,000</u>	<u>15,000</u>
Total Debt	<u>1,857,764</u>	<u>-</u>	<u>(33,497)</u>	<u>1,824,267</u>	<u>32,191</u>
<i>Total Business-type Activities</i>	<u><u>\$ 1,857,764</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (33,497)</u></u>	<u><u>\$ 1,824,267</u></u>	<u><u>\$ 32,191</u></u>

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Property taxes and sales taxes make up 62.1% of the governmental revenues.

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 ASSETS
JUNE 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash	\$ 39,302	\$ 2,290,723	\$ 2,330,025
Restricted Cash	373,674	234,302	607,976
Accounts Receivable (Net)	924,547	339,491	1,264,038
Accounts Receivable - Intergovernmental	280,993	-	280,993
Interfund Balances	151,194	(151,194)	-
Inventory	-	151,232	151,232
Prepaid Expenses	11,431	19,708	31,139
Total Current Assets	1,781,141	2,884,262	4,665,403
Noncurrent Assets:			
Capital Assets:			
Water Shares	-	90,114	90,114
Land	200,480	90,969	291,449
Construction in Progress	-	44,319	44,319
Land Improvements	376,070	-	376,070
Buildings	918,937	53,187	972,124
Machinery and Equipment	553,971	557,589	1,111,560
Utility Systems	-	9,090,965	9,090,965
Infrastructure	4,208,771	-	4,208,771
Less Accumulated Depreciation	(2,499,915)	(3,272,363)	(5,772,278)
Total Capital Assets, Net	3,758,314	6,654,780	10,413,094
Other Assets:			
Unamortized Bond Issue Costs	-	25,674	25,674
Total Assets	5,539,455	9,564,716	15,104,171
LIABILITIES			
Current Liabilities:			
Accounts Payable	151,957	113,102	265,059
Other Accrued Liabilities	19,050	15,805	34,855
Deferred Revenue	325,993	-	325,993
Noncurrent Due Within One Year	218,969	32,191	251,160
Total Current Liabilities	715,969	161,098	877,067
Noncurrent Liabilities:			
Due in More Than One Year	596,151	1,792,076	2,388,227
Total Noncurrent Liabilities	596,151	1,792,076	2,388,227
Total Liabilities	1,312,120	1,953,174	3,265,294
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,039,114	4,856,187	7,895,301
Restricted For:			
Class "C" Roads	-	-	-
Impact Fees	20,705	234,302	255,007
Park Donations	38,838	-	38,838
Debt Service	3,960	44,127	48,087
Redevelopment Agency	42,121	-	42,121
Perpetual Care	276,550	-	276,550
Unrestricted	806,047	2,476,926	3,282,973
Total Net Assets	\$ 4,227,335	\$ 7,611,542	\$ 11,838,877

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

**MORGAN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 314,548	\$ 42,629	\$ 4,069	\$ 59,963
Public Safety	226,976	69,495	-	-
Public Works	495,405	4,935	144,891	-
Parks and Recreation	130,287	129,032	-	-
Cemetery	105,998	33,690	-	-
Shop	7,821	-	-	-
Interest Expense	5,949	-	-	-
Total Governmental Activities	1,286,984	279,781	148,960	59,963
Business-type Activities				
Water	513,760	574,440	-	-
Sewer	404,756	393,132	-	-
Electric	1,726,690	2,112,762	-	-
Sanitation	220,351	224,945	-	-
Total Business-type Activities	2,865,557	3,305,279	-	-
Total Government	\$ 4,152,541	\$ 3,585,060	\$ 148,960	59,963

General Revenues:

Taxes

 Property

 Sales and Use

 Fee in Lieu

 Telecommunication

Interest and Investment Earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Prior Year Adjustment

Net Assets at Beginning of Year, Restated

Net Assets at End of Year

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

Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (207,887)	\$ -	\$ (207,887)
(157,481)	-	(157,481)
(345,579)	-	(345,579)
(1,255)	-	(1,255)
(72,308)	-	(72,308)
(7,821)	-	(7,821)
(5,949)	-	(5,949)
(798,280)	-	(798,280)
-	60,680	60,680
-	(11,624)	(11,624)
-	386,072	386,072
-	4,594	4,594
-	439,722	439,722
(798,280)	439,722	(358,558)
310,058	-	310,058
492,649	-	492,649
48,581	-	48,581
46,292	-	46,292
22,380	16,869	39,249
44,559	-	44,559
964,519	16,869	981,388
166,239	456,591	622,830
4,088,108	7,168,106	11,256,214
(27,012)	(13,155)	(40,167)
4,061,096	7,154,951	11,216,047
\$ 4,227,335	\$ 7,611,542	\$ 11,838,877

**MORGAN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 21,762	\$ -	\$ 17,540	\$ 39,302
Restricted Cash	63,503	-	310,171	373,674
Due from Other Funds	282,044	-	-	282,044
Accounts Receivable	130,039	739,998	54,510	924,547
Accounts Receivable - Intergovernmental	280,993	-	-	280,993
Prepaid Expenses	11,431	-	-	11,431
TOTAL ASSETS	<u>\$ 789,772</u>	<u>\$ 739,998</u>	<u>\$ 382,221</u>	<u>\$ 1,911,991</u>
LIABILITIES				
Accounts Payable	\$ 133,566	\$ -	\$ 18,391	\$ 151,957
Due to Other Funds	-	130,850	-	130,850
Deferred Revenue	280,993	739,998	45,000	1,065,991
Other Accrued Liabilities	19,050	-	-	19,050
TOTAL LIABILITIES	<u>433,609</u>	<u>870,848</u>	<u>63,391</u>	<u>1,367,848</u>
FUND BALANCES				
Non-spendable:				
Prepays	11,431	-	-	11,431
Restricted for:				
Class C Roads	-	-	-	-
Road Impact Fees	15,106	-	-	15,106
Park Impact Fees	5,599	-	-	5,599
Park Donations	38,838	-	-	38,838
Debt Service	3,960	-	-	3,960
Redevelopment Agency	-	-	42,121	42,121
Perpetual Care	-	-	276,550	276,550
Assigned:				
Utility Enhancement	-	-	159	159
Unassigned	281,229	(130,850)	-	150,379
TOTAL FUND BALANCES	<u>356,163</u>	<u>(130,850)</u>	<u>318,830</u>	<u>544,143</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 789,772</u>	<u>\$ 739,998</u>	<u>\$ 382,221</u>	<u>\$ 1,911,991</u>

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

MORGAN CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

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

Total fund balances--total governmental funds	\$ 544,143
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	3,758,314
Deferred revenues 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.	739,998
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:	
Special Assessment Bonds	(616,000)
CID Road Bond Series 2010	(83,000)
Capital Lease	(20,200)
Compensated Absences	(95,920)
Net assets of governmental activities	<u>\$ 4,227,335</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, 2012

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 803,977	\$ -	\$ 47,311	\$ 851,288
Licenses and Permits	41,914	-	-	41,914
Intergovernmental	208,923	-	-	208,923
Charges for services	195,775	715	12,820	209,310
Fines	18,747	-	-	18,747
Other Revenues	<u>113,602</u>	<u>41,234</u>	<u>2,410</u>	<u>157,246</u>
Total Revenues	<u>1,382,938</u>	<u>41,949</u>	<u>62,541</u>	<u>1,487,428</u>
EXPENDITURES				
Current Operating:				
General Government	207,682	45,497	57,398	310,577
Public Safety	226,976	-	-	226,976
Public Works	307,150	-	-	307,150
Parks and Recreation	115,111	-	-	115,111
Cemetery	105,502	-	-	105,502
Shop	7,821	-	-	7,821
Debt Service:				
Principal	18,000	47,000	-	65,000
Interest	5,949	38,023	-	43,972
Capital Outlay	<u>387,083</u>	<u>-</u>	<u>-</u>	<u>387,083</u>
Total Expenditures	<u>1,381,274</u>	<u>130,520</u>	<u>57,398</u>	<u>1,569,192</u>
Excess of Revenues Over (Under) Expenditures	<u>1,664</u>	<u>(88,571)</u>	<u>5,143</u>	<u>(81,764)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-In	-	-	-	-
Transfers-Out	-	-	-	-
Issuance of debt	<u>20,200</u>	<u>-</u>	<u>-</u>	<u>20,200</u>
Total Other Financing Sources (Uses)	<u>20,200</u>	<u>-</u>	<u>-</u>	<u>20,200</u>
Net Change in Fund Balances	<u>21,864</u>	<u>(88,571)</u>	<u>5,143</u>	<u>(61,564)</u>
Fund Balances at Beginning of Year	307,979	(42,279)	313,687	579,387
Prior Year Adjustment	<u>26,320</u>	<u>-</u>	<u>-</u>	<u>26,320</u>
Fund Balances at Beginning of Year, Restated	<u>334,299</u>	<u>(42,279)</u>	<u>313,687</u>	<u>605,707</u>
Fund Balances at End of Year	<u>\$ 356,163</u>	<u>\$ (130,850)</u>	<u>\$ 318,830</u>	<u>\$ 544,143</u>

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, 2012

Net change in fund balance, total governmental funds \$ (61,564)

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	387,083	
Depreciation Expense	<u>(181,836)</u>	205,247

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. (34,205)

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	(20,200)
-----------------------------------------------	----------

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	47,000	
CID Road Bond Series 2010	18,000	
Net change of Compensated Absences	<u>11,961</u>	

Change in net assets of governmental activities \$ 166,239

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

**MORGAN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Water	Sewer
ASSETS		
Current Assets:		
Cash	\$ -	\$ 99,086
Restricted Cash	154,376	48,186
Accounts Receivable (Net)	63,226	38,819
Inventory	44,424	1,165
Prepaid Expenses	5,652	5,653
Total Current Assets	267,678	192,909
Noncurrent Assets:		
Capital Assets:		
Water Shares	90,114	-
Land	6,318	67,131
Construction in Progress	44,319	-
Buildings	7,125	7,125
Utility Systems	4,319,406	2,699,789
Machinery and Equipment	155,966	146,226
Less Accumulated Depreciation	(1,466,581)	(1,085,259)
Total Capital Assets, Net	3,156,667	1,835,012
Other Assets:		
Unamortized Bond Issue Costs	18,618	7,056
Total Assets	\$ 3,442,963	\$ 2,034,977
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,394	\$ 3,619
Due to Other Funds	151,194	-
Customer Deposits	-	-
Current Portion of Long-Term Obligations	17,191	15,000
Total Current Liabilities	171,779	18,619
Noncurrent Liabilities:		
Long-Term Obligations, Net of Current Portion	1,074,076	718,000
Total Liabilities	1,245,855	736,619
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,084,018	1,109,068
Restricted for Impact Fees	154,376	48,186
Restricted for Debt Service	-	44,127
Unrestricted	(41,286)	96,977
Total Net Assets	2,197,108	1,298,358
Total Liabilities and Net Assets	\$ 3,442,963	\$ 2,034,977

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,984,411	\$ 207,226	\$ 2,290,723
31,740	-	234,302
213,626	23,820	339,491
105,643	-	151,232
8,403	-	19,708
<u>2,343,823</u>	<u>231,046</u>	<u>3,035,456</u>
-	-	90,114
17,520	-	90,969
-	-	44,319
31,812	7,125	53,187
2,071,770	-	9,090,965
255,397	-	557,589
(717,911)	(2,612)	(3,272,363)
<u>1,658,588</u>	<u>4,513</u>	<u>6,654,780</u>
-	-	25,674
<u>\$ 4,002,411</u>	<u>\$ 235,559</u>	<u>\$ 9,715,910</u>
\$ 90,860	\$ 15,229	\$ 113,102
-	-	151,194
15,805	-	15,805
-	-	32,191
<u>106,665</u>	<u>15,229</u>	<u>312,292</u>
-	-	1,792,076
<u>106,665</u>	<u>15,229</u>	<u>2,104,368</u>
1,658,588	4,513	4,856,187
31,740	-	234,302
-	-	44,127
<u>2,205,418</u>	<u>215,817</u>	<u>2,476,926</u>
<u>3,895,746</u>	<u>220,330</u>	<u>7,611,542</u>
<u>\$ 4,002,411</u>	<u>\$ 235,559</u>	<u>\$ 9,715,910</u>

MORGAN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Water</u>	<u>Sewer</u>
Operating Revenues:		
Charges for Services	\$ 552,172	\$ 364,706
Other Operating Revenues	12,714	18,586
Total Operating Revenues	<u>564,886</u>	<u>383,292</u>
Operating Expenses:		
Personnel Services	160,002	142,414
Contractual Services	-	-
Purchases water/treatment/power/refuse	34,925	-
Supplies	34,424	18,051
Office Expense	25,596	25,017
Professional Services	9,780	51,934
Miscellaneous	9,622	4,528
Equipment and Maintenance	39,004	20,136
Utilities	41,586	34,437
Depreciation	111,483	66,008
Amortization - Deferred Charge	582	294
Total Operating Expenses	<u>467,004</u>	<u>362,819</u>
Operating Income (Loss)	<u>97,882</u>	<u>20,473</u>
Nonoperating Revenues (Expenses)		
Impact Fees	8,054	7,240
Connection Fees	1,500	2,600
Interest Revenue	1,292	15,190
Interest Expense	(46,756)	(41,937)
Total Nonoperating Revenues (Expenses)	<u>(35,910)</u>	<u>(16,907)</u>
Net Income (Loss) Before Contributions	<u>61,972</u>	<u>3,566</u>
Capital Contributions	<u>-</u>	<u>-</u>
Change in Net Assets	<u>61,972</u>	<u>3,566</u>
Total Net Assets - Beginning	2,135,136	1,294,792
Prior Year Adjustment	-	-
Total Net Assets - Beginning, Restated	<u>2,135,136</u>	<u>1,294,792</u>
Total Net Assets - Ending	<u>\$ 2,197,108</u>	<u>\$ 1,298,358</u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,039,552	\$ 220,523	\$ 3,176,953
67,190	4,422	102,912
<u>2,106,742</u>	<u>224,945</u>	<u>3,279,865</u>
388,946	14,228	705,590
-	87,370	87,370
913,356	87,897	1,036,178
207,738	-	260,213
29,034	20,156	99,803
19,676	6,487	87,877
25,418	3,674	43,242
39,914	361	99,415
-	-	76,023
102,608	178	280,277
-	-	876
<u>1,726,690</u>	<u>220,351</u>	<u>2,776,864</u>
<u>380,052</u>	<u>4,594</u>	<u>503,001</u>
3,360	-	18,654
2,660	-	6,760
385	2	16,869
-	-	(88,693)
<u>6,405</u>	<u>2</u>	<u>(46,410)</u>
386,457	4,596	456,591
-	-	-
<u>386,457</u>	<u>4,596</u>	<u>456,591</u>
3,509,289	228,889	7,168,106
-	(13,155)	(13,155)
<u>3,509,289</u>	<u>215,734</u>	<u>7,154,951</u>
<u>\$ 3,895,746</u>	<u>\$ 220,330</u>	<u>\$ 7,611,542</u>

**MORGAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 544,761	\$ 383,083
Cash Paid to Suppliers	(202,083)	(156,031)
Cash Paid to Employees	(160,002)	(142,414)
Net Cash Provided (Used) by Operating Activities	<u>182,676</u>	<u>84,638</u>
Cash Flows from Noncapital Financing Activities		
Transfers In/Out	-	-
Due to/from Other Funds	68,427	(7,011)
Net Cash Used in Noncapital Financing Activities	<u>68,427</u>	<u>(7,011)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(44,321)	(421,940)
Principal Payments - Bonds	(16,496)	(17,000)
Interest Paid	(46,756)	(41,937)
Impact Fees Collected	8,054	7,240
Connection Fees Collected	1,500	2,600
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(98,019)</u>	<u>(471,037)</u>
Cash Flows from Investing Activities		
Interest on Investments	1,292	15,190
Net Cash Provided by Investing Activities	<u>1,292</u>	<u>15,190</u>
Net Increase (Decrease) in Cash	154,376	(378,220)
Cash - July 1	-	525,492
Cash - June 30	<u>\$ 154,376</u>	<u>\$ 147,272</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 97,882	\$ 20,473
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	111,483	66,008
Amortization	582	294
Changes in Assets and Liabilities:		
Accounts Receivable	(20,125)	(209)
Inventory	(4,888)	106
Prepaid Expenses	(5,652)	(5,653)
Accounts Payable	3,394	3,619
Customer Deposits	-	-
Net Cash Provided by Operating Activities	<u>\$ 182,676</u>	<u>\$ 84,638</u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,061,973	\$ 223,758	\$ 3,213,575
(1,194,087)	(203,871)	(1,756,072)
<u>(388,946)</u>	<u>(14,228)</u>	<u>(705,590)</u>
<u>478,940</u>	<u>5,659</u>	<u>751,913</u>
-	-	-
<u>(16,967)</u>	<u>(1,107)</u>	<u>43,342</u>
<u>(16,967)</u>	<u>(1,107)</u>	<u>43,342</u>
(370,020)	-	(836,281)
-	-	(33,496)
-	-	(88,693)
3,360	-	18,654
<u>2,660</u>	<u>-</u>	<u>6,760</u>
<u>(364,000)</u>	<u>-</u>	<u>(933,056)</u>
<u>385</u>	<u>2</u>	<u>16,869</u>
<u>385</u>	<u>2</u>	<u>16,869</u>
98,358	4,554	(120,932)
<u>1,917,793</u>	<u>202,672</u>	<u>2,645,957</u>
<u>\$ 2,016,151</u>	<u>\$ 207,226</u>	<u>\$ 2,525,025</u>
\$ 380,052	\$ 4,594	\$ 503,001
102,608	178	280,277
-	-	876
(44,769)	(1,187)	(66,290)
28,414	-	23,632
(8,403)	-	(19,708)
22,633	2,074	31,720
<u>(1,595)</u>	<u>-</u>	<u>(1,595)</u>
<u>\$ 478,940</u>	<u>\$ 5,659</u>	<u>\$ 751,913</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. 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).

Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net assets 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 Assets - The statement of net assets 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 assets 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, 2012

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:

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 assets, 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. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 assets 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, 2012

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 Assets.

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.

Bond Issue Costs

The City incurred bond issue costs in 2003. Those issuance costs are amortized using the straight-line method in the government-wide financial statements and the statement of net assets in the proprietary fund statements for the term of the bonds from which the costs were incurred.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 Assets 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, 2012

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.

Equity Classifications

Government-wide Statements

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

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

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 assets are available.

Fund Statements

In February 2009, GASB issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. 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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Equity (continued)

Equity Classifications (continued)

- 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.

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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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.

Restricted for Park – Funds received by the City with donor-imposed restrictions for park improvements and expenses.

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, 2012, none of the City’s bank balances of \$484,278 were 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, 2012

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, 2012, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	\$ 2,399,652	\$ 2,413,721

The GASB Fair Value factor at June 30, 2012 was 1.00586284

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, 2012

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, 2012, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 538,349
PTIF investment	<u>2,399,652</u>
Total cash and investments	<u><u>\$ 2,938,001</u></u>

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

Cash	\$ 2,330,025
Restricted Cash	<u>607,976</u>
Total cash and investments	<u><u>\$ 2,938,001</u></u>

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MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, are as follows:

Governmental Activities:	<u>General</u>	<u>Special Revenue</u>	<u>RDA</u>	<u>Perpetual Care</u>	<u>Total</u>
Receivables:					
Accounts	\$ 146,300	\$ -	\$ 1,010	\$ 8,500	\$ 155,810
Special Assessment	-	739,998	-	-	739,998
Taxes	<u>280,993</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>325,993</u>
Gross receivables	427,293	739,998	46,010	8,500	1,221,801
Less: Allowance for uncollectibles	<u>(16,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,261)</u>
Net total receivables	<u>\$ 411,032</u>	<u>\$ 739,998</u>	<u>\$ 46,010</u>	<u>\$ 8,500</u>	<u>\$1,205,540</u>

Accounts receivable for the City's Business-type Activities, including the applicable allowance for uncollectible accounts at June 30, 2012 are as follows:

Business-type Activities:	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
Receivables:					
Accounts	\$ 67,846	\$ 41,655	\$ 228,015	\$ 25,561	\$ 363,077
Gross receivables	67,846	41,655	228,015	25,561	363,077
Less: Allowance for uncollectibles	<u>(4,620)</u>	<u>(2,836)</u>	<u>(14,389)</u>	<u>(1,741)</u>	<u>(23,586)</u>
Net total receivables	<u>\$ 63,226</u>	<u>\$ 38,819</u>	<u>\$ 213,626</u>	<u>\$ 23,820</u>	<u>\$ 339,491</u>

At June 30, 2012, the City had two interfund receivables and payables. The Water fund owed \$151,194 to the General fund. In the governmental funds, the Special Revenue Fund owed \$130,850 to the General Fund.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 200,480	\$ -	\$ -	\$ 200,480
Construction in Progress	116,085	-	(116,085)	-
Total capital assets, not being depreciated	<u>316,565</u>	<u>-</u>	<u>(116,085)</u>	<u>200,480</u>
Capital assets, being depreciated				
Land Improvements	274,174	101,896	-	376,070
Buildings	868,974	49,963	-	918,937
Machinery & Equipment	417,075	136,896	-	553,971
Infrastructure	<u>3,994,358</u>	<u>214,413</u>	<u>-</u>	<u>4,208,771</u>
Total capital assets, being depreciated	<u>5,554,581</u>	<u>503,168</u>	<u>-</u>	<u>6,057,749</u>
Accumulated Depreciation for:				
Land Improvements	(72,229)	(7,956)	-	(80,185)
Buildings	(171,557)	(16,329)	-	(187,886)
Machinery & Equipment	(378,248)	(27,010)	-	(405,258)
Infrastructure	<u>(1,696,045)</u>	<u>(130,541)</u>	<u>-</u>	<u>(1,826,586)</u>
Total accumulated depreciation	<u>(2,318,079)</u>	<u>(181,836)</u>	<u>-</u>	<u>(2,499,915)</u>
Total capital assets, being depreciated, net	<u>3,236,502</u>	<u>321,332</u>	<u>-</u>	<u>3,557,834</u>
Governmental activities capital assets, net	<u><u>\$3,553,067</u></u>	<u><u>\$ 321,332</u></u>	<u><u>\$(116,085)</u></u>	<u><u>\$3,758,314</u></u>

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

Governmental Activities:

General Government	\$ 15,932
Public Safety	-
Public Works	150,232
Parks and Recreation	15,176
Cemetery	496
Shop	<u>-</u>
Total Depreciation Expense	<u><u>\$ 181,836</u></u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Capital Assets (continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Water Stock	\$ 90,114	\$ -	\$ -	\$ 90,114
Land	43,669	47,300	-	90,969
Construction in Progress	267,979	44,319	(267,979)	44,319
Total capital assets, not being depreciated	<u>401,762</u>	<u>91,619</u>	<u>(267,979)</u>	<u>225,402</u>
Capital assets, being depreciated				
Buildings	53,187	-	-	53,187
Machinery & Equipment	560,350	14,900	(17,661)	557,589
Systems	8,093,225	997,740	-	9,090,965
Total capital assets, being depreciated	<u>8,706,762</u>	<u>1,012,640</u>	<u>(17,661)</u>	<u>9,701,741</u>
Accumulated Depreciation for:				
Buildings	(34,424)	(712)	-	(35,136)
Machinery & Equipment	(316,920)	(38,956)	17,661	(338,215)
Systems	(2,658,403)	(240,609)	-	(2,899,012)
Total accumulated depreciation	<u>(3,009,747)</u>	<u>(280,277)</u>	<u>17,661</u>	<u>(3,272,363)</u>
Total capital assets, being depreciated, net	<u>5,697,015</u>	<u>732,363</u>	<u>-</u>	<u>6,429,378</u>
Business-type activities capital assets, net	<u>\$6,098,777</u>	<u>\$ 823,982</u>	<u>\$(267,979)</u>	<u>\$6,654,780</u>

Depreciation Expense was charged to the proprietary funds as follows:

Business-type Activities:

Water Fund	\$ 111,483
Sewer Fund	66,008
Electric Fund	102,608
Sanitation Fund	<u>178</u>
Total Depreciation Expense	<u>\$ 280,277</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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. A transfer of funds is required in this case, however, there were no transfers between funds this year.

Long-Term Liabilities

Special Assessment Bonds: Special Assessment bonds are 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. The City is obligated to pay Special Assessment bonds and interest to the following extent:

Year Ended June 30,	Special Assessment Bonds		
	6.29%		
Principal	Interest	Total	
2013	\$ 109,000	\$ 38,808	\$ 147,808
2014	115,000	31,941	146,941
2015	123,000	24,696	147,696
2016	130,000	16,947	146,947
2017	139,000	8,757	147,757
Totals	\$ 616,000	\$ 121,149	\$ 737,149

The interest expense for the Special Assessment bonds of \$38,023 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, 2010 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:

Year Ended June 30,	Series 2010 Road Bonds		
	3.50%		
Principal	Interest	Total	
2013	\$ 9,000	\$ 2,905	\$ 11,905
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 - 2020	33,000	2,310	35,310
Totals	\$ 83,000	\$ 13,475	\$ 96,475

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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
2013	\$ 5,049	\$ 579	\$ 5,628
2014	5,049	568	5,617
2015	5,050	379	5,429
2016	5,052	187	5,239
Totals	\$ 20,200	\$ 1,713	\$ 21,913

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, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Special Assessment Bonds	\$ 663,000	\$ -	\$ (47,000)	\$ 616,000	\$ 109,000
Series 2010 Road Bonds	101,000	-	(18,000)	83,000	9,000
Capital Lease - International	-	20,200	-	20,200	5,049
Total Debt	764,000	20,200	(65,000)	719,200	123,049
Compensated Absences	107,881	61,058	(73,019)	95,920	95,920
<i>Total Governmental Activities</i>	<u>\$ 871,881</u>	<u>\$ 81,258</u>	<u>\$ (138,019)</u>	<u>\$ 815,120</u>	<u>\$ 218,969</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 mature on August 11, 2043. The interest rate is 4.25%

Year Ended June 30,	Series 2003 Water Revenue Bonds		
	4.25%		
	Principal	Interest	Total
2013	\$ 17,191	\$ 46,061	\$ 63,252
2014	17,936	45,316	63,252
2015	18,714	44,538	63,252
2016	19,425	43,827	63,252
2017	20,371	42,881	63,252
2018 - 2022	115,887	200,373	316,260
2023 - 2027	143,571	172,689	316,260
2028 - 2032	177,126	139,134	316,260
2033 - 2037	218,982	97,278	316,260
2038 - 2042	270,727	45,533	316,260
2043 - 2044	71,337	2,142	73,479
Totals	\$ 1,091,267	\$ 879,772	\$ 1,971,039

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 1st, 2036. The interest rate is 5.61%.

Year Ended June 30,	Series 2010 Sewer Revenue Bonds		
	5.61%		
	Principal	Interest	Total
2013	\$ 15,000	\$ 40,701	\$ 55,701
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 - 2022	112,000	166,785	278,785
2023 - 2027	147,000	130,685	277,685
2028 - 2032	192,000	83,477	275,477
2033 - 2036	197,000	22,860	219,860
Totals	\$ 733,000	\$ 598,054	\$ 1,331,054

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Long-Term Liabilities (continued)

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

Business-type Activities:	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Series 2003 Water Bonds	\$ 1,107,764	\$ -	\$ (16,497)	\$ 1,091,267	\$ 17,191
Series 2010 Sewer Bonds	750,000	-	(17,000)	733,000	15,000
Total Debt	1,857,764	-	(33,497)	1,824,267	32,191
<i>Total Business-type Activities</i>	<u>\$ 1,857,764</u>	<u>\$ -</u>	<u>\$ (33,497)</u>	<u>\$ 1,824,267</u>	<u>\$ 32,191</u>

Redevelopment Agency

The Morgan Redevelopment Agency has one project titled the Commercial Street Redevelopment Project. The Commercial Street Redevelopment Project collected \$47,311 in tax increment monies in the fiscal year ended June 30, 2012. This project did not have any outstanding debt at June 30, 2012, nor did it pay any taxes to a taxing agency.

The actual expenditures for the project consisted of the following:

1. \$2,045 for administrative costs of the project.
2. \$18,391 for improvements.
3. \$36,962 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, 2012 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, 2012 totaled \$3,960.

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, 2012 was \$31,950.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Bond Resolution Compliance (continued)

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, 2012 was \$12,177.

IV. OTHER INFORMATION

Retirement System

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local

Governmental Contributory Retirement System and Local Government Noncontributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in Local Government Noncontributory Retirement System members are required to contribute 0.0% of their annual covered salary (all or part may be paid by the employer for the employee) and Morgan City Corporation is required to contribute 13.77% of their annual covered salary from July 2011 through June 2012. 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, 2012, 2011, and 2010 were \$95,281, \$94,879, and \$79,370 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, 2012, 2011, and 2010 were as follows: \$10,845, \$13,094, and \$13,532 respectively.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

IV. OTHER INFORMATION (continued)

Deferred Revenue

Deferred revenues are those revenues where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Morgan City has deferred revenue as of June 30, 2012 as follows:

Special Revenue - Special Assessments	\$739,998
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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, 2012, \$0 had been paid in health care premiums on behalf of retired employees.

Risk Management – Claims and Judgments

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

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

Stewardship, Compliance, and Accountability

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
Ambulance	\$ 75,000	\$ 75,702	\$ 702
Building Inspection	69,673	72,689	3,016
Road Department	444,351	493,633	49,282

For the year ended June 30, 2012, all of the other departments and funds within the City were in compliance.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

IV. OTHER INFORMATION (continued)

Prior Year Adjustment

For the fiscal year 2011, there were several receivables and payables that were not accrued. This resulted in a prior year adjustment to the General fund and the Sanitation fund. The details of this restatement are as follows:

Prior Period Adjustment

	Governmental Funds	Proprietary Funds	Total Prior Period Adjustment
Accounts Receivable	\$ 42,308	\$ -	\$ 42,308
Accounts Payable	(15,988)	-	(15,988)
Total Change in Fund Balance	26,320	-	26,320
Accounts Receivable	(53,332)	-	(53,332)
Accounts Payable	-	(13,155)	(13,155)
Total Change in Net Assets	\$ (27,012)	\$ (13,155)	\$ (40,167)

**REQUIRED
SUPPLEMENTARY INFORMATION**

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 245,000	\$ 257,000	\$ 256,206	\$ (794)
Redemptions	10,000	10,000	6,541	(3,459)
Fee in Lieu	40,000	40,000	48,581	8,581
Sales and Use Taxes	430,000	470,000	492,649	22,649
	<u>725,000</u>	<u>777,000</u>	<u>803,977</u>	<u>26,977</u>
Licenses and Permits:				
Business Licenses	9,500	11,000	14,612	3,612
Building Permits	10,000	15,000	23,820	8,820
Other Licenses	2,500	2,800	3,482	682
	<u>22,000</u>	<u>28,800</u>	<u>41,914</u>	<u>13,114</u>
Intergovernmental:				
Grants	50,213	59,963	59,963	-
Class "C" Road Fund Allotment	145,000	145,000	144,891	(109)
State Liquor Allotment	4,000	4,070	4,069	(1)
	<u>199,213</u>	<u>209,033</u>	<u>208,923</u>	<u>(110)</u>
Charges for Services:				
Ambulance	45,000	55,000	50,748	(4,252)
Parks	25,900	142,223	124,157	(18,066)
Cemetery	20,500	22,000	20,870	(1,130)
	<u>91,400</u>	<u>219,223</u>	<u>195,775</u>	<u>(23,448)</u>
Fines and Forfeitures	<u>12,150</u>	<u>15,000</u>	<u>18,747</u>	<u>3,747</u>
Other Revenues:				
Interest Earnings	8,389	13,004	12,941	(63)
Road Impact Fees	5,000	5,000	4,935	(65)
Park Impact Fees	2,000	2,000	4,875	2,875
Telecommunication and Franchise Fees	62,000	62,000	46,292	(15,708)
Miscellaneous Revenue	33,614	30,018	44,559	14,541
	<u>111,003</u>	<u>112,022</u>	<u>113,602</u>	<u>1,580</u>
Total Revenues	<u>\$ 1,160,766</u>	<u>\$ 1,361,078</u>	<u>\$ 1,382,938</u>	<u>\$ 21,860</u>

(continued)

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Administrative	\$ 163,562	\$ 172,072	\$ 156,244	\$ 15,828
Court	9,223	10,104	8,341	1,763
Economic Development	55,000	55,000	29,164	25,836
Non-Departmental	50,213	59,963	59,963	-
Elections	5,000	3,040	3,039	1
Buildings	12,000	13,000	10,894	2,106
	<u>294,998</u>	<u>313,179</u>	<u>267,645</u>	<u>45,534</u>
Public Safety:				
Police Department	129,000	129,070	127,947	1,123
Fire Department	26,452	26,452	23,169	3,283
Ambulance	58,000	75,000	75,702	(702)
Animal Control	500	500	158	342
	<u>213,952</u>	<u>231,022</u>	<u>226,976</u>	<u>4,046</u>
Public Works				
Building Inspection	84,092	69,673	72,689	(3,016)
Road Department	435,751	444,351	493,633	(49,282)
	<u>519,843</u>	<u>514,024</u>	<u>566,322</u>	<u>(52,298)</u>
Parks	158,722	284,722	201,501	83,221
Recreation	5,507	5,507	5,507	-
Cemetery	189,301	120,301	105,502	14,799
Shop	7,000	9,000	7,821	1,179
Total Expenditures	<u>1,389,323</u>	<u>1,477,755</u>	<u>1,381,274</u>	<u>96,481</u>
Other financing sources (uses):				
Operating transfers in (out)	80,557	-	-	-
Issuance of debt	-	-	20,200	20,200
Appropriations of Fund Balances	148,000	116,677	-	116,677
Total other financing sources (uses)	<u>228,557</u>	<u>116,677</u>	<u>20,200</u>	<u>136,877</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>21,864</u>	<u>21,864</u>
Fund Balances at Beginning of Year	<u>307,979</u>	<u>307,979</u>	<u>307,979</u>	<u>-</u>
Prior Year Adjustment	<u>-</u>	<u>-</u>	<u>26,320</u>	<u>26,320</u>
Fund Balances at Beginning of Year, Restated	<u>307,979</u>	<u>307,979</u>	<u>334,299</u>	<u>26,320</u>
Fund Balances at End of Year	<u>\$ 307,979</u>	<u>\$ 307,979</u>	<u>\$ 356,163</u>	<u>\$ 48,184</u>

**MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Assessment - Principal	\$ 90,000	\$ 90,000	\$ 34,205	\$ (55,795)
Interest on Assessment	42,258	42,258	6,919	(35,339)
Administration Fee	4,285	4,285	715	(3,570)
Interest	-	-	110	110
Total Revenues	136,543	136,543	41,949	(94,594)
Expenditures:				
Contractual Expenses	4,285	4,285	45,497	(41,212)
Debt Service - Bond Principal	90,000	90,000	47,000	43,000
Debt Service - Bond Interest	42,258	42,258	38,023	4,235
Total Expenditures	136,543	136,543	130,520	6,023
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Reserve fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	(88,571)	(88,571)
Fund Balance - July 1	(42,279)	(42,279)	(42,279)	-
Fund Balance - June 30	\$ (42,279)	\$ (42,279)	\$ (130,850)	\$ (88,571)

SUPPLEMENTARY INFORMATION

**MORGAN CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>RDA</u>	<u>Perpetual Care</u>	<u>Utility Enhancement</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash	\$ 17,381	\$ -	\$ 159	\$ 17,540
Restricted Cash	42,121	268,050	-	310,171
Accounts Receivable	46,010	8,500	-	54,510
TOTAL ASSETS	<u>\$ 105,512</u>	<u>\$ 276,550</u>	<u>\$ 159</u>	<u>\$ 382,221</u>
LIABILITIES				
Accounts Payable	\$ 18,391	\$ -	\$ -	\$ 18,391
Deferred Revenue	45,000	-	-	45,000
TOTAL LIABILITIES	<u>63,391</u>	<u>-</u>	<u>-</u>	<u>63,391</u>
FUND BALANCES				
Restricted for:				
Redevelopment	42,121	-	-	42,121
Perpetual Care	-	276,550	-	276,550
Assigned:				
Utility Enhancement	-	-	159	159
TOTAL FUND BALANCES	<u>42,121</u>	<u>276,550</u>	<u>159</u>	<u>318,830</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 105,512</u>	<u>\$ 276,550</u>	<u>\$ 159</u>	<u>\$ 382,221</u>

**MORGAN CITY
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURE, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>RDA</u>	<u>Perpetual Care</u>	<u>Utility Enhancement</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 47,311	\$ -	\$ -	\$ 47,311
Charges for services	-	12,820	-	12,820
Interest	393	2,017	-	2,410
Total Revenues	<u>47,704</u>	<u>14,837</u>	<u>-</u>	<u>62,541</u>
EXPENDITURES				
Current Operating:				
General Government	57,398	-	-	57,398
Miscellaneous	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>57,398</u>	<u>-</u>	<u>-</u>	<u>57,398</u>
Excess of Revenues Over (Under) Expenditures	(9,694)	14,837	-	5,143
OTHER FINANCING SOURCES (USES)				
Transfers-In	-	-	-	-
Transfers-Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(9,694)</u>	<u>14,837</u>	<u>-</u>	<u>5,143</u>
Fund Balances at Beginning of Year	<u>51,815</u>	<u>261,713</u>	<u>159</u>	<u>313,687</u>
Fund Balances at End of Year	<u>\$ 42,121</u>	<u>\$ 276,550</u>	<u>\$ 159</u>	<u>\$ 318,830</u>

AUDITORS' REPORTS



**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**

Honorable Mayor and City Council
Morgan City

We have audited 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, 2012, which collectively comprise Morgan City's basic financial statements and have issued our report thereon dated November 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Morgan City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Morgan City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

Christensen, Palmer & Ambrose P.C.

November 12, 2012



INDEPENDENT AUDITORS' LEGAL COMPLIANCE REPORT

Honorable Mayor and City Council
Morgan City

We have audited Morgan City's compliance with the general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to Morgan City are identified as follows:

- | | |
|------------------------------------------------|-----------------------------------|
| Public Debt | Justice Court |
| Cash Management | B & C Road Funds |
| Purchasing Requirements | Other General Issues |
| Budgetary Compliance | Uniform Building Code Standards |
| Truth in Taxation and Property Tax Limitations | Utah Retirement system Compliance |
| Liquor Law Enforcement | Fund Balance Compliance |

Morgan City did not receive any State grants during the year ended June 30, 2012.

The management of Morgan City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Morgan City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2012.

Christensen, Palmer & Ambrose P.C.

November 12, 2012

MORGAN CITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The City had three departments whose expenditures exceeded their appropriations in the final budget.

QUESTIONED COSTS: None

RECOMMENDATION: The City should monitor its expenditures so as to stay within budget appropriations or modify its budget if necessary.

CITY'S REPLY: The City makes amendments to their budgets throughout the year and strives very hard to not exceed the budgeted amount. The ambulance is for contracted expenses that are billed to us by Morgan County. There was an adjustment made, however the expenses still exceeded the budgeted amount by \$702. The building inspection department was overspent by \$3,016 and the road department by \$49,282. The road department was due to a deficiency of B&C road funds to cover the expenditures for a project, this amount is being paid back to the general fund in the current year. As stated above, the City strives to stay within the budgeted amounts and will continue to do so in the future.

PROGRAM: TRUTH IN TAXATION AND PROPERTY TAX LIMITATIONS

FINDING: The budgeted revenue per form TC-693 does not agree with the City's original or final budget.

QUESTIONED COSTS: None

RECOMMENDATION: The City should make sure that the final budget agrees with the budgeted amount on form TC-693.

CITY'S REPLY: The City usually does not receive the tax information from the County before the deadline to adopt budgets. The amount budgeted is an estimate. When the City does receive the information, the certified tax rate is adopted. The City does make adjustments to the budget for property taxes, but it is usually at a lower amount than is stated on form TC-693 due to this being calculated at a 100% calculation rate.

PROGRAM: FUND BALANCE

FINDING: The fund balance of the City's SID fund is in a deficit position.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to bring this fund balance into a positive balance.

CITY'S REPLY: The developer for the North Morgan SID became delinquent on the payments. The City moved forward with foreclosure on the properties. This was complicated due to the developer filing for bankruptcy which halted the foreclosure sale. The City has been working very hard to foreclose of these properties. At the current time they are working with a new developer on the purchase of this development. This sale would pay off these assessments. This will hopefully occur before the end of the current fiscal year.

PROGRAM: FUND BALANCE

FINDING: The unassigned fund balance of the general fund is in excess of 18% of estimated revenues.

QUESTIONED COSTS: None

RECOMMENDATION: The City should take steps to keep the fund balance of the general fund below 18% of estimated revenues.

CITY'S REPLY: The City has a public hearing scheduled on Tuesday, January 8, 2013. At this time there will be adjustments made to the budgets that will reduce this unassigned fund balance below the 18%.