

**MORGAN CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2010**

**MORGAN CITY, UTAH
YEAR ENDED JUNE 30, 2010
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INDEPENDENT AUDITOR'S 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, Utah, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morgan City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan City, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 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 Morgan City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

Wood Richards & Associates

Ogden, UT
October 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

This document is a narrative overview and analysis of the financial activities of Morgan City for the fiscal year ending June 30, 2010. 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, 2010**

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2010 and 2009 follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Cash and investments	\$ 827,455	\$1,139,809	\$1,821,461	\$1,083,820	\$ 2,648,916	\$2,223,629
Other assets	1,515,531	1,544,052	447,843	454,599	1,963,374	1,998,651
Capital assets	3,070,867	2,766,751	5,720,688	5,064,843	8,791,555	7,831,594
Total assets	5,413,853	5,450,612	7,989,992	6,603,262	13,403,845	12,053,874
Other liabilities	634,617	648,876	141,565	127,030	776,182	775,906
Long term outstanding	702,558	885,925	1,107,764	1,123,556	1,810,322	2,009,481
Total liabilities	1,337,175	1,534,801	1,249,329	1,250,586	2,586,504	2,785,387
Net assets:						
Invested in capital assets, net of related debt	2,958,942	2,570,652	4,597,131	3,926,150	7,556,073	6,496,802
Restricted	762,379	892,377	581,405	616,793	1,343,784	1,509,170
Unrestricted	355,357	452,782	1,562,127	809,733	1,917,484	1,262,515
Total net assets	\$4,076,678	\$3,915,811	\$6,740,663	\$5,352,676	\$10,817,341	\$9,268,487

During the year ended June 30, 2010 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 \$18,413.
- The City received contributions from developers that totaled \$1,010,285.
- The City's sales tax revenue decreased by \$25,008.
- The City purchased a new truck for the electric department and a new street sweeper for \$83,018.
- The City constructed new infrastructure with a value of \$1,264,351.
- The City's Electric fund collections.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

A condensed version of the Statement of Activities follows:

Governmental and Business-Type Activities for the years ended June 30, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Program revenues:						
Charges for services	\$ 174,405	\$ 212,950	\$3,175,673	\$3,063,184	\$ 3,350,078	\$3,276,134
Grants and contributions	474,084	590,034	707,157	1,004,961	1,181,241	1,594,995
General revenues:						
Taxes	809,351	866,621	-	-	809,351	866,621
Interest	19,916	78,348	3,971	15,004	23,887	93,352
Transfers & misc.	82,277	81,483	-	-	82,277	81,483
Total revenues	<u>1,560,033</u>	<u>1,829,436</u>	<u>3,886,801</u>	<u>4,083,149</u>	<u>5,446,834</u>	<u>5,912,585</u>
Expenses:						
General government	323,187	340,986	-	-	323,187	340,986
Public safety	337,355	361,653	-	-	337,355	361,653
Public works	550,384	732,219	-	-	550,384	732,219
Parks and recreation	62,066	176,232	-	-	62,066	176,232
Cemetery	110,541	84,828	-	-	110,541	84,828
Shop	7,036	9,922	-	-	7,036	9,922
Interest	8,597	11,067	-	-	8,597	11,067
Water	-	-	562,532	491,176	562,532	491,176
Sewer	-	-	388,004	322,623	388,004	322,623
Electric	-	-	1,364,332	1,980,788	1,364,332	1,980,788
Sanitation	-	-	183,946	191,556	183,946	191,556
Total expenses	<u>1,399,166</u>	<u>1,716,907</u>	<u>2,498,814</u>	<u>2,986,143</u>	<u>3,897,980</u>	<u>4,703,050</u>
Change in net assets	160,867	112,529	1,387,987	1,097,006	1,548,854	1,209,535
Beginning net assets	<u>3,915,811</u>	<u>3,803,282</u>	<u>5,352,676</u>	<u>4,255,670</u>	<u>9,268,487</u>	<u>8,058,952</u>
Ending net assets	<u>\$4,076,678</u>	<u>\$3,915,811</u>	<u>\$6,740,663</u>	<u>\$5,352,676</u>	<u>\$10,817,341</u>	<u>\$9,268,487</u>

Governmental activities:

For the year ended June 30, 2010, the total revenues for the governmental activities were \$1,560,033. Program revenues totaled \$648,489. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$911,544. The major sources of general revenues are taxes and interest earnings. Taxes comprise 62% of the City's general fund revenues. Building permits decreased by \$2,542.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Business-type activities:

For the year ended June 30, 2010, the total revenues for the business-type activities were \$3,886,801. Program revenues total \$3,882,830. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$707,157 in contributions of capital assets and \$3,971 in interest income. The City had decreases in the purchase of power by \$450,590, while electric fund revenues increased by \$109,180. The water fund and sewer funds had operating losses of \$74,709 and \$56,733. 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 \$554,237 less than was budgeted.

Capital Assets

At June 30, 2010 the City had \$8,791,555 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 \$959,961, or 12.3% over last year.

	Capital Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 337,823	\$ 337,823	\$ 43,669	\$ 43,669	\$ 381,492	\$ 381,492
Water Stock	-	-	90,114	90,114	90,114	90,114
Improvements	274,174	274,174	-	-	274,174	274,174
Buildings	618,937	618,937	53,187	53,187	672,124	672,124
Equipment	432,549	425,549	764,383	688,365	1,196,932	1,113,914
Utility Systems	-	-	7,837,472	7,021,372	7,837,472	7,021,372
Infrastructure	3,582,050	3,133,800	-	-	3,582,050	3,133,800
Subtotal	5,245,533	4,790,283	8,788,825	7,896,707	14,034,358	12,686,990
Accum Depreciation	(2,174,666)	(2,023,532)	(3,068,137)	(2,831,864)	(5,242,803)	(4,855,396)
Capital Assets, Net	<u>\$3,070,867</u>	<u>\$2,766,751</u>	<u>\$5,720,688</u>	<u>\$5,064,843</u>	<u>\$8,791,555</u>	<u>\$7,831,594</u>

The most significant addition to capital assets was \$1,010,285 in contributions from developers, general fund infrastructure additions of \$109,602, utility system upgrades totaled \$108,943, and electric fund equipment that totaled \$76,018.

**MORGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Debt Outstanding

At year-end, the City had \$2,087,713 in bonds and notes outstanding versus \$2,241,817 last year, a decrease of \$154,104.

There was a total of \$193,311 in debt retired during the year.

Governmental Activities:	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Series 2002 Bonds	\$ 162,000	\$ -	\$ (79,000)	\$ 83,000	\$ 83,000
Special Assessment Bonds	865,000	-	(94,000)	771,000	92,000
Capital Lease - Fire Truck	34,099	-	(5,174)	28,925	5,368
Total Debt	1,061,099	-	(178,174)	882,925	180,368
Compensated Absences	42,025	96,559	(57,352)	81,232	81,232
<i>Total Governmental Activities</i>	<u>\$1,103,124</u>	<u>\$ 96,559</u>	<u>\$ (235,526)</u>	<u>\$ 964,157</u>	<u>\$ 261,600</u>

Business-type Activities:	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Series 2003 Bonds	\$1,138,693	\$ -	\$ (15,137)	\$1,123,556	\$ 15,793
Total Debt	1,138,693	-	(15,137)	1,123,556	15,793
<i>Total Business-type Activities</i>	<u>\$1,138,693</u>	<u>\$ -</u>	<u>\$ (15,137)</u>	<u>\$1,123,556</u>	<u>\$ 15,793</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 44.5% 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, 2010

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash	\$ 827,455	\$ 1,821,461	\$ 2,648,916
Accounts Receivable (Net)	1,131,753	286,871	1,418,624
Accounts Receivable - Intergovernmental	383,778	-	383,778
Inventory	-	141,172	141,172
Total Current Assets	<u>2,342,986</u>	<u>2,249,504</u>	<u>4,592,490</u>
Noncurrent Assets:			
Capital Assets:			
Water Shares	-	90,114	90,114
Land	337,823	43,669	381,492
Land Improvements	274,174	-	274,174
Buildings	618,937	53,187	672,124
Machinery and Equipment	432,549	764,383	1,196,932
Utility Systems	-	7,837,472	7,837,472
Infrastructure	3,582,050	-	3,582,050
Less Accumulated Depreciation	<u>(2,174,666)</u>	<u>(3,068,137)</u>	<u>(5,242,803)</u>
Total Capital Assets, Net	<u>3,070,867</u>	<u>5,720,688</u>	<u>8,791,555</u>
Other Assets:			
Unamortized Bond Issue Costs	-	19,800	19,800
Total Assets	<u>5,413,853</u>	<u>7,989,992</u>	<u>13,403,845</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	38,038	109,957	147,995
Other Accrued Liabilities	59,691	15,815	75,506
Deferred Revenue	275,289	-	275,289
Noncurrent Due Within One Year	261,599	15,793	277,392
Total Current Liabilities	<u>634,617</u>	<u>141,565</u>	<u>776,182</u>
Noncurrent Liabilities:			
Due in More Than One Year	<u>702,558</u>	<u>1,107,764</u>	<u>1,810,322</u>
Total Noncurrent Liabilities	<u>702,558</u>	<u>1,107,764</u>	<u>1,810,322</u>
Total Liabilities	<u>1,337,175</u>	<u>1,249,329</u>	<u>2,586,504</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,958,942	4,597,131	7,556,073
Restricted For:			
Class "C" Roads	231,288	-	231,288
Impact Fees	137,006	581,405	718,411
Special Improvement District	-	-	-
Redevelopment	92,350	-	92,350
Perpetual Care	301,735	-	301,735
Unrestricted	<u>355,357</u>	<u>1,562,127</u>	<u>1,917,484</u>
Total Net Assets	<u>\$ 4,076,678</u>	<u>\$ 6,740,663</u>	<u>\$ 10,817,341</u>

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

**MORGAN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 323,187	\$ 46,404	\$ 4,358	\$ -
Public Safety	337,355	90,015	-	-
Public Works	550,384	7,365	131,078	338,648
Parks and Recreation	62,066	3,676	-	-
Cemetery	110,541	26,945	-	-
Shop	7,036	-	-	-
Interest Expense	8,597	-	-	-
Total Governmental Activities	1,399,166	174,405	135,436	338,648
Business-type Activities				
Water	562,532	451,687	-	317,819
Sewer	388,004	341,299	-	99,561
Electric	1,364,332	2,150,030	-	289,777
Sanitation	183,946	232,657	-	-
Total Business-type Activities	2,498,814	3,175,673	-	707,157
Total Government	\$ 3,897,980	\$ 3,350,078	\$ 135,436	1,045,805

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

Net Assets at End of Year

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

Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (272,425)	\$ -	\$ (272,425)
(247,340)	-	(247,340)
(73,293)	-	(73,293)
(58,390)	-	(58,390)
(83,596)	-	(83,596)
(7,036)	-	(7,036)
(8,597)	-	(8,597)
<u>(750,677)</u>	<u>-</u>	<u>(750,677)</u>
-	206,974	206,974
-	52,856	52,856
-	1,075,475	1,075,475
-	48,711	48,711
<u>-</u>	<u>1,384,016</u>	<u>1,384,016</u>
<u>(750,677)</u>	<u>1,384,016</u>	<u>633,339</u>
303,973	-	303,973
410,567	-	410,567
43,808	-	43,808
51,003	-	51,003
19,916	3,971	23,887
82,277	-	82,277
<u>911,544</u>	<u>3,971</u>	<u>915,515</u>
160,867	1,387,987	1,548,854
<u>3,915,811</u>	<u>5,352,676</u>	<u>9,268,487</u>
<u>\$ 4,076,678</u>	<u>\$ 6,740,663</u>	<u>\$ 10,817,341</u>

**MORGAN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010**

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 434,914	\$ -	\$ 392,541	\$ 827,455
Due from Other Funds	31,003	-	-	31,003
Accounts Receivable	6,439	1,112,907	12,407	1,131,753
Accounts Receivable - Intergovernmental	383,778	-	-	383,778
TOTAL ASSETS	\$ 856,134	\$ 1,112,907	\$ 404,948	\$ 2,373,989
LIABILITIES				
Accounts Payable	\$ 35,713	\$ 2,325	\$ -	\$ 38,038
Due to Other Funds	-	31,003	-	31,003
Deferred Revenue	275,289	1,112,907	-	1,388,196
Other Accrued Liabilities	59,691	-	-	59,691
TOTAL LIABILITIES	370,693	1,146,235	-	1,516,928
FUND BALANCES				
Reserved for:				
Class C Roads	231,288	-	-	231,288
Road Impact Fees	104,553	-	-	104,553
Park Impact Fees	32,453	-	-	32,453
Special Improvement District	-	(33,328)	-	(33,328)
Redevelopment Agency	-	-	92,350	92,350
Perpetual Care	-	-	301,735	301,735
Unreserved	117,147	-	10,863	128,010
TOTAL FUND BALANCES	485,441	(33,328)	404,948	857,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 856,134	\$ 1,112,907	\$ 404,948	\$ 2,373,989

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, 2010

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

Total fund balances--total governmental funds	\$ 857,061
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements.	3,070,867
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.	1,112,907
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:	
Series 2002 Bonds	(83,000)
Special Assessment Bonds	(771,000)
Capital Lease - Fire Truck	(28,925)
Compensated Absences	<u>(81,232)</u>
Net assets of governmental activities	<u>\$ 4,076,678</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, 2010

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 714,644	\$ -	\$ 43,704	\$ 758,348
Licenses and Permits	45,927	-	-	45,927
Intergovernmental	135,436	-	-	135,436
Charges for services	71,196	477	7,441	79,114
Fines	39,440	-	-	39,440
Other Revenues	149,840	24,030	6,290	180,160
Total Revenues	1,156,483	24,507	57,435	1,238,425
EXPENDITURES				
Current Operating:				
General Government	255,460	6,670	13,476	275,606
Public Safety	337,355	-	-	337,355
Public Works	351,691	-	13,248	364,939
Parks and Recreation	51,324	-	-	51,324
Cemetery	109,788	-	-	109,788
Shop	7,036	-	-	7,036
Debt Service:				
Principal	84,174	94,000	-	178,174
Interest	8,597	54,180	-	62,777
Capital Outlay	116,602	-	-	116,602
Total Expenditures	1,322,027	154,850	26,724	1,503,601
Excess of Revenues Over (Under) Expenditures	(165,544)	(130,343)	30,711	(265,176)
OTHER FINANCING SOURCES (USES)				
Transfers-In	-	-	-	-
Transfers-Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(165,544)	(130,343)	30,711	(265,176)
Fund Balances at Beginning of Year	650,985	97,015	374,237	1,122,237
Fund Balances at End of Year	\$ 485,441	\$ (33,328)	\$ 404,948	\$ 857,061

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, 2010

Net change in fund balance, total governmental funds \$ (265,176)

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 depreciation expense exceeded capital outlays in the current period.

Capital Outlays	116,602	
Depreciation Expense	<u>(151,134)</u>	(34,532)

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. (17,040)

Capital contributed from developers is not considered a current resource to the City, and therefore is not reported in the funds. These contributions, however, are an economic resource and are recorded as revenues in the statement of activities. 338,648

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:

Series 2002 Bonds	79,000	
Special Assessment Bonds	94,000	
Capital Lease - Fire Truck	5,174	
Net change of Compensated Absences	<u>(39,207)</u>	

Change in net assets of governmental activities \$ 160,867

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

**MORGAN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	<u>Water</u>	<u>Sewer</u>
ASSETS		
Current Assets:		
Cash	\$ -	\$ 329,991
Due from Other Funds	-	-
Accounts Receivable (Net)	37,059	34,492
Inventory	27,339	1,336
Total Current Assets	<u>64,398</u>	<u>365,819</u>
Noncurrent Assets:		
Capital Assets:		
Water Shares	90,114	-
Land	6,318	19,831
Buildings	7,125	7,125
Utility Systems	4,329,107	1,716,260
Machinery and Equipment	174,880	152,247
Less Accumulated Depreciation	<u>(1,288,156)</u>	<u>(973,677)</u>
Total Capital Assets, Net	<u>3,319,388</u>	<u>921,786</u>
Other Assets:		
Unamortized Bond Issue Costs	<u>19,800</u>	<u>-</u>
Total Assets	<u><u>\$ 3,403,586</u></u>	<u><u>\$ 1,287,605</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 10,888	\$ 15,039
Due to Other Funds	84,696	-
Customer Deposits	-	-
Current Portion of Long-Term Obligations	<u>15,793</u>	<u>-</u>
Total Current Liabilities	<u>111,377</u>	<u>15,039</u>
Noncurrent Liabilities:		
Long-Term Obligations, Net of Current Portion	<u>1,107,764</u>	<u>-</u>
Total Liabilities	<u>1,219,141</u>	<u>15,039</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,195,831	921,786
Restricted for Impact Fees	221,136	224,866
Unrestricted	<u>(232,522)</u>	<u>125,914</u>
Total Net Assets	<u>2,184,445</u>	<u>1,272,566</u>
Total Liabilities and Net Assets	<u><u>\$ 3,403,586</u></u>	<u><u>\$ 1,287,605</u></u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 1,294,364	\$ 197,106	\$ 1,821,461
84,696	-	84,696
191,613	23,707	286,871
112,497	-	141,172
<u>1,683,170</u>	<u>220,813</u>	<u>2,334,200</u>
-	-	90,114
17,520	-	43,669
31,812	7,125	53,187
1,792,105	-	7,837,472
430,221	7,035	764,383
(797,013)	(9,291)	(3,068,137)
<u>1,474,645</u>	<u>4,869</u>	<u>5,720,688</u>
-	-	19,800
<u>\$ 3,157,815</u>	<u>\$ 225,682</u>	<u>\$ 8,074,688</u>
\$ 70,032	\$ 13,998	\$ 109,957
-	-	84,696
15,815	-	15,815
-	-	15,793
<u>85,847</u>	<u>13,998</u>	<u>226,261</u>
-	-	1,107,764
<u>85,847</u>	<u>13,998</u>	<u>1,334,025</u>
1,474,645	4,869	4,597,131
135,403	-	581,405
1,461,920	206,815	1,562,127
<u>3,071,968</u>	<u>211,684</u>	<u>6,740,663</u>
<u>\$ 3,157,815</u>	<u>\$ 225,682</u>	<u>\$ 8,074,688</u>

MORGAN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Water</u>	<u>Sewer</u>
Operating Revenues:		
Charges for Services	\$ 430,539	\$ 329,812
Other Operating Revenues	9,169	1,459
Total Operating Revenues	<u>439,708</u>	<u>331,271</u>
Operating Expenses:		
Personnel Services	171,098	153,890
Contractual Services	-	-
Purchases water/treatment/power/refuse	27,256	-
Supplies	144,090	75,281
Professional Services	21,689	76,873
Miscellaneous	8,805	2,750
Equipment and Maintenance	34,536	27,695
Depreciation	106,343	51,515
Amortization - Deferred Charge	600	-
Total Operating Expenses	<u>514,417</u>	<u>388,004</u>
Operating Income (Loss)	<u>(74,709)</u>	<u>(56,733)</u>
Nonoperating Revenues (Expenses)		
Impact Fees	9,715	8,828
Connection Fees	2,264	1,200
Interest Revenue	1,331	1,833
Interest Expense	(48,115)	-
Total Nonoperating Revenues (Expenses)	<u>(34,805)</u>	<u>11,861</u>
Net Income (Loss) Before Contributions	<u>(109,514)</u>	<u>(44,872)</u>
Capital Contributions	<u>317,819</u>	<u>99,561</u>
Change in Net Assets	208,305	54,689
Total Net Assets - Beginning	<u>1,976,140</u>	<u>1,217,877</u>
Total Net Assets - Ending	<u><u>\$ 2,184,445</u></u>	<u><u>\$ 1,272,566</u></u>

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

<u>Electric</u>	<u>Sanitation</u>	<u>Total</u>
\$ 2,085,617	\$ 227,730	\$ 3,073,698
53,866	4,927	69,421
<u>2,139,483</u>	<u>232,657</u>	<u>3,143,119</u>
359,958	-	684,946
-	74,438	74,438
752,302	108,638	888,196
145,862	-	365,233
20,264	-	118,826
5,250	692	17,497
2,459	-	64,690
78,237	178	236,273
-	-	600
<u>1,364,332</u>	<u>183,946</u>	<u>2,450,699</u>
<u>775,151</u>	<u>48,711</u>	<u>692,420</u>
7,060	-	25,603
3,487	-	6,951
802	5	3,971
-	-	(48,115)
<u>11,349</u>	<u>5</u>	<u>(11,590)</u>
786,500	48,716	680,830
289,777	-	707,157
<u>1,076,277</u>	<u>48,716</u>	<u>1,387,987</u>
<u>1,995,691</u>	<u>162,968</u>	<u>5,352,676</u>
<u>\$ 3,071,968</u>	<u>\$ 211,684</u>	<u>\$ 6,740,663</u>

**MORGAN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Water</u>	<u>Sewer</u>
Cash Flows from Operating Activities		
Cash Received From Customers	\$ 447,857	\$ 330,887
Cash Paid to Suppliers	(219,974)	(167,951)
Cash Paid to Employees	(171,098)	(153,890)
Net Cash Provided (Used) by Operating Activities	<u>56,785</u>	<u>9,046</u>
Cash Flows from Noncapital Financing Activities		
Transfers In/Out	-	-
Due to/from Other Funds	13,696	-
Net Cash Used in Noncapital Financing Activities	<u>13,696</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(20,539)	(23,939)
Principal Payments - Bonds	(15,137)	-
Interest Paid	(48,115)	-
Impact Fees Collected	9,715	8,828
Connection Fees Collected	2,264	1,200
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(71,812)</u>	<u>(13,911)</u>
Cash Flows from Investing Activities		
Interest on Investments	1,331	1,833
Net Cash Provided by Investing Activities	<u>1,331</u>	<u>1,833</u>
Net Increase (Decrease) in Cash	-	(3,032)
Cash - July 1	-	333,023
Cash - June 30	<u><u>\$ -</u></u>	<u><u>\$ 329,991</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (74,709)	\$ (56,733)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	106,343	51,515
Amortization	600	-
Changes in Assets and Liabilities:		
Accounts Receivable	8,149	(384)
Inventory	5,645	(261)
Accounts Payable	10,757	14,909
Customer Deposits	-	-
Net Cash Provided by Operating Activities	<u><u>\$ 56,785</u></u>	<u><u>\$ 9,046</u></u>

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

Electric	Sanitation	Total
\$ 2,135,413	\$ 231,844	\$ 3,146,001
(953,206)	(170,595)	(1,511,726)
(359,958)	-	(684,946)
822,249	61,249	949,329

-	-	-
(13,696)	-	-
(13,696)	-	-

(140,483)	-	(184,961)
-	-	(15,137)
-	-	(48,115)
7,060	-	25,603
3,487	-	6,951
(129,936)	-	(215,659)

802	5	3,971
802	5	3,971
679,419	61,254	737,641
614,945	135,852	1,083,820
\$ 1,294,364	\$ 197,106	\$ 1,821,461

\$ 775,151	\$ 48,711	\$ 692,420
78,237	178	236,273
-	-	600
(4,070)	(813)	2,882
(2,110)	-	3,274
(27,126)	13,173	11,713
2,167	-	2,167
\$ 822,249	\$ 61,249	\$ 949,329

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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, 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).

B. 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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

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.

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.

C. 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).

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

The following describes the nonmajor governmental funds of the City:

Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

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.

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.

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

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.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

6. Capital Assets (continued)

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.

7. 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.

8. 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.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

8. Long-term Liabilities (continued)

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.

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 principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

9. 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

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

10. 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.

11. 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.

12. Operating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information (continued)

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

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. 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.

B. Fund Equity Restrictions

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

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

Reserve 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.

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

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Fund Equity Restrictions (continued)

Reserve 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.

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. 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, 2010, \$184,848 of the City's bank balances of \$434,848 was uninsured and uncollateralized.

Investments

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

A. Deposits and Investments (continued)

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, 2010, the City had the following investments and maturities:

	Carrying Amount	Market Value
Investments not subject to categorizations:		
Utah Public Treasurer's Investment Fund	<u>\$ 2,116,373</u>	<u>\$ 2,124,535</u>

The GASB Fair Value factor at June 30, 2010 was 1.00385638

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, 2010**

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

A. 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, 2010, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 487,489
PTIF investment	<u>2,116,373</u>
Total cash and investments	<u><u>\$ 2,603,862</u></u>

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

Cash	<u>\$ 2,603,862</u>
Total cash and investments	<u><u>\$ 2,603,862</u></u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

B. Accounts Receivable

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2010, are as follows:

Governmental Activities:	General	Special Revenue	RDA	Perpetual Care	Total
Receivables:					
Accounts	\$ 6,439	\$ -	\$ -	\$ 11,397	\$ 17,836
Special Assessment	-	1,112,907	-	-	1,112,907
Taxes	383,778	-	1,010	-	384,788
Gross receivables	390,217	1,112,907	1,010	11,397	1,515,531
Less: Allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 390,217</u>	<u>\$1,112,907</u>	<u>\$ 1,010</u>	<u>\$ 11,397</u>	<u>\$1,515,531</u>

Accounts receivable for the City's Business-type Activities, including the applicable allowance for uncollectible accounts at June 30, 2010 are as follows:

Business-type Activities:	Water	Sewer	Electric	Sanitation	Total
Receivables:					
Accounts	\$ 40,766	\$ 35,327	\$ 212,375	\$ 24,726	\$ 313,194
Gross receivables	40,766	35,327	212,375	24,726	313,194
Less: Allowance for uncollectibles	(3,707)	(835)	(20,762)	(1,019)	(26,323)
Net total receivables	<u>\$ 37,059</u>	<u>\$ 34,492</u>	<u>\$ 191,613</u>	<u>\$ 23,707</u>	<u>\$ 286,871</u>

At June 30, 2010, the City had one interfund receivable and payable. The Water fund owed \$84,696 to the Electric fund.

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MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. 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	\$ 337,823	\$ -	\$ -	\$ 337,823
Total capital assets, not being depreciated	337,823	-	-	337,823
Capital assets, being depreciated				
Land Improvements	274,174	-	-	274,174
Buildings	618,937	-	-	618,937
Machinery & Equipment	425,549	7,000	-	432,549
Infrastructure	3,133,800	448,250	-	3,582,050
Total capital assets, being depreciated	4,452,460	455,250	-	4,907,710
Accumulated Depreciation for:				
Land Improvements	(56,945)	(7,642)	-	(64,587)
Buildings	(147,763)	(10,829)	-	(158,592)
Machinery & Equipment	(368,760)	(15,240)	-	(384,000)
Infrastructure	(1,450,064)	(117,423)	-	(1,567,487)
Total accumulated depreciation	(2,023,532)	(151,134)	-	(2,174,666)
Total capital assets, being depreciated, net	2,428,928	304,116	-	2,733,044
Governmental activities capital assets, net	<u>\$2,766,751</u>	<u>\$304,116</u>	<u>\$ -</u>	<u>\$3,070,867</u>

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

Governmental Activities:

General Government	\$ 8,374
Public Safety	-
Public Works	131,265
Parks and Recreation	10,742
Cemetery	753
Shop	-
Total Depreciation Expense	<u>\$ 151,134</u>

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. Capital Assets (continued)

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>
Business-type activities				
Capital assets, not being depreciated				
Water Stock	\$ 90,114	\$ -	\$ -	\$ 90,114
Land	43,669	-	-	43,669
Total capital assets, not being depreciated	<u>133,783</u>	<u>-</u>	<u>-</u>	<u>133,783</u>
Capital assets, being depreciated				
Buildings	53,187	-	-	53,187
Machinery & Equipment	688,365	76,018	-	764,383
Systems	7,021,372	816,101	-	7,837,473
Total capital assets, being depreciated	<u>7,762,924</u>	<u>892,119</u>	<u>-</u>	<u>8,655,043</u>
Accumulated Depreciation for:				
Buildings	(32,998)	(712)	-	(33,710)
Machinery & Equipment	(471,472)	(36,338)	-	(507,810)
Systems	(2,327,395)	(199,223)	-	(2,526,618)
Total accumulated depreciation	<u>(2,831,865)</u>	<u>(236,273)</u>	<u>-</u>	<u>(3,068,138)</u>
Total capital assets, being depreciated, net	<u>4,931,059</u>	<u>655,846</u>	<u>-</u>	<u>5,586,905</u>
Business-type activities capital assets, net	<u>\$5,064,842</u>	<u>\$655,846</u>	<u>\$ -</u>	<u>\$5,720,688</u>

Depreciation Expense was charged to funds as follows:

Business-type Activities:

Water Fund	\$ 106,343
Sewer Fund	51,515
Electric Fund	78,237
Sanitation Fund	<u>178</u>
Total Depreciation Expense	<u>\$ 236,273</u>

D. Interfund Transfers

Often, funds are received in a given fund, but those funds are to be used for a purpose in which the expenditures will be made in another fund. However, there were no transfers between funds this year.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

E. Long-Term Liabilities

Capital Lease - Fire Truck

The City has a lease agreement as lessee for financing the acquisition of a Fire Truck. The lease was issued July 12th of 2004. Annual payments are made on July 12th of each year. The lease has an interest rate of 3.75%. The final payment will be made on July 12, 2014. The future minimum lease obligations and the net present value of these lease payments as of June 30, 2010, are as follows:

Year Ended June 30,	Capital Lease 2005 Pierce Hawk Fire Truck 3.75%		
	Principal	Interest	Total
2011	\$ 5,368	\$ 1,084	\$ 6,452
2012	5,569	883	6,452
2013	5,776	676	6,452
2014	5,994	458	6,452
2015	6,219	233	6,452
Totals	\$ 28,926	\$ 3,334	\$ 32,260

Lease Revenue Bonds. The government issued a series 2002 bond to provide funds for the construction of a new municipal building.

Series 2002 bonds issued for municipal building construction. Interest is paid on June 1 and December 1, while principal is paid on June 1 of each year. The bonds matures June 1, 2011.

The interest rate is 4.65%

\$ 162,000

The annual requirement to amortize the obligation is as follows:

Year Ended June 30,	Series 2002 Bonds 4.65%		
	Principal	Interest	Total
2011	\$ 83,000	\$ 3,860	\$ 86,860
Totals	\$ 83,000	\$ 3,860	\$ 86,860

MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

E. Long-Term Liabilities (continued)

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		
	6.05%		
	Principal	Interest	Total
2011	\$ 92,000	\$ 48,573	\$ 140,573
2012	98,000	42,777	140,777
2013	103,000	36,603	139,603
2014	109,000	30,114	139,114
2015	116,000	23,247	139,247
2016	123,000	15,939	138,939
2017	130,000	8,190	138,190
Totals	\$ 771,000	\$ 205,443	\$ 976,443

The interest expense for the Special Assessment bonds of \$54,180 has been charged as a direct expense to the Public Works Department in the Statement of Activities.

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, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Series 2002 Bonds	\$ 162,000	\$ -	\$ (79,000)	\$ 83,000	\$ 83,000
Special Assessment Bonds	865,000	-	(94,000)	771,000	92,000
Capital Lease - Fire Truck	34,099	-	(5,174)	28,925	5,368
Total Debt	1,061,099	-	(178,174)	882,925	180,368
Compensated Absences	42,025	96,559	(57,352)	81,232	81,232
<i>Total Governmental Activities</i>	<u>\$1,103,124</u>	<u>\$ 96,559</u>	<u>\$ (235,526)</u>	<u>\$ 964,157</u>	<u>\$ 261,600</u>

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

D. 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 Bonds 4.25%		
	Principal	Interest	Total
2011	\$ 15,793	\$ 47,459	\$ 63,252
2012	16,477	46,775	63,252
2013	17,191	46,061	63,252
2014	17,936	45,316	63,252
2015	18,714	44,538	63,252
2016-2020	106,360	209,900	316,260
2021-2025	131,616	184,644	316,260
2026-2030	163,017	153,243	316,260
2031-2035	203,146	113,114	316,260
2036-2040	250,704	65,556	316,260
2041-2043	182,603	7,153	189,756
Totals	<u>\$ 1,123,557</u>	<u>\$ 963,759</u>	<u>\$ 2,087,316</u>

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, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Series 2003 Bonds	\$1,138,693	\$ -	\$ (15,137)	\$1,123,556	\$ 15,793
Total Debt	<u>1,138,693</u>	<u>-</u>	<u>(15,137)</u>	<u>1,123,556</u>	<u>15,793</u>
<i>Total Business-type Activities</i>	<u>\$1,138,693</u>	<u>\$ -</u>	<u>\$ (15,137)</u>	<u>\$1,123,556</u>	<u>\$ 15,793</u>

F. Redevelopment Agency

The Morgan Redevelopment Agency has one project titled the Commercial Street Redevelopment Project. The Commercial Street Redevelopment Project collected \$43,704 in tax increment monies in the fiscal year ended June 30, 2010. This project did not have any outstanding debt at June 30, 2010, nor did it pay any taxes to a taxing agency.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

F. Redevelopment Agency (continued)

The actual expenditures for the project consisted of the following:

1. \$3,596 for administrative costs of the project.
2. \$13,248 for improvements.

IV. OTHER INFORMATION

A. 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 11.66% of their annual covered salary from July 2009 through June 2010. 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, 2010, 2009, and 2008 were \$79,370, \$78,248, and \$80,639 respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

IV. OTHER INFORMATION (continued)

A. Retirement System (continued)

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, 2010, 2009, and 2008 were as follows: \$13,532, \$16,648, and \$17,991 respectively.

The City does not participate in a 457 Deferred Compensation Plan.

B. 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, 2010 as follows:

Special Revenue - Special Assessments	\$1,112,907
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C. 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, 2010, \$4,650 had been paid in health care premiums on behalf of retired employees.

D. Commitments

Business Revenue Sharing Agreement. The City entered into a business revenue sharing agreement where the agreement calls for the share of increased sales tax payments over base year amounts until the amount of \$185,781 is paid, with interest of 7.75%. In the event the reimbursement outlined isn't made within fifteen (15) years the obligation shall be deemed paid and no other recourse for payment shall be pursued by Owner/Developer against the City.

**MORGAN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

IV. OTHER INFORMATION (continued)

E. 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.

F. Stewardship, Compliance, and Accountability

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
Cemetery	\$ 108,360	\$ 109,788	\$ 1,428
Fire Department	28,453	31,140	2,687
Special Service Fund	\$ 250	\$ 600	\$ 350

For the year ended June 30, 2010, all of the other departments and funds within the City were in compliance.

G. Subsequent Events

On September 15, 2010 the City issued \$101,000 in road excise bonds for a road project at Rose Drive and 100 South. The City is also in the process of issuing sewer bonds for approximately \$500,000 for a new sewer line on 100 South.

**REQUIRED
SUPPLEMENTARY INFORMATION**

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Current Year Property Taxes	\$ 270,000	\$ 270,000	\$ 246,701	\$ (23,299)
Redemptions	10,000	10,000	13,568	3,568
Fee in Lieu	60,000	60,000	43,808	(16,192)
Sales and Use Taxes	470,000	470,000	410,567	(59,433)
	<u>810,000</u>	<u>810,000</u>	<u>714,644</u>	<u>(95,356)</u>
Licenses and Permits:				
Business Licenses	7,500	7,500	8,820	1,320
Building Permits	37,000	37,000	35,723	(1,277)
Other Licenses	1,500	1,500	1,384	(116)
	<u>46,000</u>	<u>46,000</u>	<u>45,927</u>	<u>(73)</u>
Intergovernmental:				
Grants	200,000	200,000	-	(200,000)
Class "C" Road Fund Allotment	140,000	140,000	131,078	(8,922)
State Liquor Allotment	4,500	4,500	4,358	(142)
	<u>344,500</u>	<u>344,500</u>	<u>135,436</u>	<u>(209,064)</u>
Charges for Services:				
Ambulance	56,000	56,000	50,575	(5,425)
Fire Department	200	200	-	(200)
Parks	1,800	1,800	751	(1,049)
Cemetery	15,000	15,000	19,870	4,870
	<u>73,000</u>	<u>73,000</u>	<u>71,196</u>	<u>(1,804)</u>
Fines and Forfeitures	<u>62,300</u>	<u>62,300</u>	<u>39,440</u>	<u>(22,860)</u>
Other Revenues:				
Interest Earnings	22,600	22,600	6,636	(15,964)
Road Impact Fees	50,000	50,000	7,365	(42,635)
Park Impact Fees	25,000	25,000	2,925	(22,075)
Telecommunication and Franchise Fees	70,000	70,000	51,003	(18,997)
Miscellaneous Revenue	70,000	70,000	81,911	11,911
	<u>237,600</u>	<u>237,600</u>	<u>149,840</u>	<u>(87,760)</u>
Total Revenues	<u>\$ 1,573,400</u>	<u>\$ 1,573,400</u>	<u>\$ 1,156,483</u>	<u>\$ (416,917)</u>

(continued)

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures:				
General Government:				
Administrative	\$ 224,236	\$ 218,736	\$ 209,762	\$ 8,974
Court	39,483	39,483	31,774	7,709
Economic Development	15,000	15,000	4,914	10,086
Non-Departmental	200,000	200,000	-	200,000
Elections	4,000	4,500	4,046	454
Buildings	103,200	103,200	97,735	5,465
	<u>585,919</u>	<u>580,919</u>	<u>348,231</u>	<u>232,688</u>
Public Safety:				
Police Department	248,138	248,138	236,474	11,664
Fire Department	28,453	28,453	31,140	(2,687)
Ambulance	70,000	70,000	56,858	13,142
Animal Control	17,000	17,000	12,883	4,117
	<u>363,591</u>	<u>363,591</u>	<u>337,355</u>	<u>26,236</u>
Public Works				
Building Inspection	153,284	153,284	115,498	37,786
Road Department	564,541	564,541	352,795	211,746
	<u>717,825</u>	<u>717,825</u>	<u>468,293</u>	<u>249,532</u>
Parks	<u>87,562</u>	<u>87,562</u>	<u>45,817</u>	<u>41,745</u>
Recreation	<u>5,507</u>	<u>5,507</u>	<u>5,507</u>	<u>-</u>
Cemetery	<u>108,360</u>	<u>108,360</u>	<u>109,788</u>	<u>(1,428)</u>
Shop	<u>7,500</u>	<u>12,500</u>	<u>7,036</u>	<u>5,464</u>
Total Expenditures	<u>1,876,264</u>	<u>1,876,264</u>	<u>1,322,027</u>	<u>554,237</u>
Other financing sources (uses):				
Operating transfers in (out)	25,000	25,000	-	25,000
Appropriations of Fund Balances	<u>277,864</u>	<u>277,864</u>	<u>-</u>	<u>277,864</u>
Total other financing sources (uses)	<u>302,864</u>	<u>302,864</u>	<u>-</u>	<u>302,864</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(165,544)</u>	<u>(165,544)</u>
Fund Balance - July 1	<u>650,985</u>	<u>650,985</u>	<u>650,985</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 650,985</u>	<u>\$ 650,985</u>	<u>\$ 485,441</u>	<u>\$ (165,544)</u>

MORGAN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Assessment - Principal	\$ 149,000	\$ 149,000	\$ 17,040	\$ (131,960)
Interest on Assessment	80,000	80,000	5,722	(74,278)
Administration Fee	5,175	5,175	477	(4,698)
Interest	5,000	5,000	1,268	(3,732)
Total Revenues	239,175	239,175	24,507	(214,668)
Expenditures:				
Contractual Expenses	5,175	5,175	6,670	(1,495)
Debt Service - Bond Principal	149,000	149,000	94,000	55,000
Debt Service - Bond Interest	85,000	85,000	54,180	30,820
Total Expenditures	239,175	239,175	154,850	84,325
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Reserve fund	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	(130,343)	(130,343)
Fund Balance - July 1	97,015	97,015	97,015	-
Fund Balance - June 30	\$ 97,015	\$ 97,015	\$ (33,328)	\$ (130,343)

SUPPLEMENTARY INFORMATION

MORGAN CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2010

	Capital Projects	RDA	Perpetual Care	Utility Enhancement	Total Nonmajor Governmental Funds
ASSETS					
Cash	\$ 10,754	\$ 91,340	\$ 290,338	\$ 109	\$ 392,541
Accounts Receivable	-	1,010	11,397	-	12,407
TOTAL ASSETS	<u>\$ 10,754</u>	<u>\$ 92,350</u>	<u>\$ 301,735</u>	<u>\$ 109</u>	<u>\$ 404,948</u>
FUND BALANCES					
Reserved for:					
Redevelopment	\$ -	\$ 92,350	\$ -	\$ -	\$ 92,350
Perpetual Care	-	-	301,735	-	301,735
Unreserved	10,754	-	-	109	10,863
TOTAL FUND BALANCES	<u>\$ 10,754</u>	<u>\$ 92,350</u>	<u>\$ 301,735</u>	<u>\$ 109</u>	<u>\$ 404,948</u>

MORGAN CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Projects	RDA	Perpetual Care	Utility Enhancement	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ -	\$ 43,704	\$ -	\$ -	\$ 43,704
Charges for services	-	-	7,075	366	7,441
Interest	-	4,305	1,985	-	6,290
Total Revenues	-	48,009	9,060	366	57,435
EXPENDITURES					
Current Operating:					
General Government	-	3,596	-	-	3,596
Miscellaneous	-	13,248	9,280	600	23,128
Capital Outlay	-	-	-	-	-
Total Expenditures	-	16,844	9,280	600	26,724
Excess of Revenues Over (Under) Expenditures	-	31,165	(220)	(234)	30,711
OTHER FINANCING SOURCES (USES)					
Transfers-In	-	-	-	-	-
Transfers-Out	-	-	-	-	-
Net Change in Fund Balances	-	31,165	(220)	(234)	30,711
Fund Balances at Beginning of Year	10,754	61,185	301,955	343	374,237
Fund Balances at End of Year	<u>\$ 10,754</u>	<u>\$ 92,350</u>	<u>\$ 301,735</u>	<u>\$ 109</u>	<u>\$ 404,948</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, 2010, which collectively comprise the City of Morgan's basic financial statements and have issued our report thereon dated October 5, 2010. 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

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 opinion 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. Accordingly, we do not express an opinion on the effectiveness of Morgan City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be significant deficiency

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. We consider the deficiency item #10-02, described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency item #10-01, described in the accompany schedule of findings to be a significant deficiency.

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*.

Morgan City's response to the finding identified in our audit is described in the accompany schedule of findings. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Mayor and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates
Ogden, UT
October 5, 2010

**INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE**

The Honorable Mayor and City Council
Morgan City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Morgan City, Utah, for the year ended June 30, 2010 and have issued our report thereon dated October 5, 2010. As part of our audit, we have audited Morgan City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major assistance programs from the State of Utah.

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

The City did not receive any nonmajor State grants during the year ended June 30, 2010.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation & Property	Uniform Building Code Standards
Tax Limitations	Impact Fees
Retirement Systems	

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.

Independent Auditor's Report on State Legal Compliance
Page 2

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

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Morgan City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

The City's written responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City and the City Council and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wood Richards & Associates

October 5, 2010

**MORGAN CITY
SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Deficiencies in Internal Controls:

Finding #10-01: Several of the transactions we reviewed did not include any supporting or approval documentation. Lack of supporting documentation appeared to mainly be an issue with payroll advances. Although there was a lack of supporting documentation on these transactions, the payroll advances tested were properly handled and accounted for.

Recommendation: Formal documentation should support all transactions including payroll advances and the City should review the adequacy of their purchasing policies to ensure that they are still sufficient for the City's needs.

Response: The City will review their purchasing policies to ensure that they are still adequate and will implement supporting documentation for transactions that currently are lacking such.

Finding #10-02: The accounting records of the City were materially misstated before the audit, resulting in large adjustments to payables, receivables, capital assets, and long-term obligations of the City.

Recommendation: We recommend that these adjustments be made so that the accounting records of the City more closely reflect the City's financial position and results of operations.

Response: The City will work on posting adjustments so that the accounting records more closely reflect the year end financial statements.

State Compliance Finding:

Finding #10-03: State law requires that expenditures not be incurred in excess of the appropriation for any fund. We noted the City did not comply with this requirement.

Recommendation: We recommend that you limit expenditures or open the budget late in the year to provide for these variances.

Response: In the future departments and funds will be monitored closer to ensure that expenditures are limited or that the budget is amended to stay in compliance with state law.

Finding #10-04: The Uniform Fiscal Procedures for Cities requires that personnel and purchasing policies be adopted and followed by the City. We noted that City's policies are outdated and not strictly enforced.

Recommendation: We recommend that the City review and update both personnel and purchasing policies and that these policies should be strictly followed.

Response: The City will review their policies and procedures to ensure that they are up to date and adhered to.

Finding #10-05: According to Utah Code (10-6-117) a city may not incur expenditures in any fund sufficient to create a negative fund balance within that fund. The City's Special Revenue Fund had a negative fund balance of \$33,328.

Recommendation: We recommend that the City make necessary adjustments to revenues and expenditures to get all funds into a positive fund balance.

Response: The Special Revenue Fund has a negative fund balance because a developer defaulted on their loan and the City was forced to use their loan reserve fund to make the debt payment due in fiscal year 2010.