

**PRICE MUNICIPAL CORPORATION**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**





# SMUIN, RICH & MARSING

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
Price Municipal Corporation  
Price, Utah 84501

Ladies/Gentlemen:

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 Price Municipal Corporation, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of Price Municipal Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

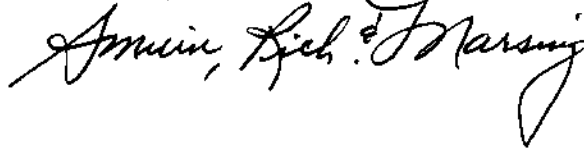
In our opinion, the basic financial statements present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Price Municipal Corporation as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2004, on our consideration of Price Municipal Corporation's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 13 and 54 through 56 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Price Municipal Corporation's basic financial statements. The combining and individual fund statements and schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Price Municipal Corporation. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Armin, Rich & Marsing". The signature is written in black ink and is positioned below the printed name of the firm.

Price, Utah

October 15, 2004

**PRICE MUNICIPAL CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
2003-2004**

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Our discussion and analysis of Price City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004.

**FINANCIAL HIGHLIGHTS**

- ❖ The City's total net assets decreased \$1,511,175 as a result of this year's operations. Net assets of our business-type activities decreased by \$274,513, which is 1.2 percent, and net assets of our governmental activities decreased by \$1,236,662, or 8.8 percent.
- ❖ The expenses of \$7.4 million were \$2.3 million more than the revenues received of \$5.1 million for governmental activities. This is slightly higher than last year when expenses were \$2.2 million more than revenue.
- ❖ In the City's business-type activities, revenues were \$7.2 million, a 3.9 percent increase from last year. Expenditures were \$6.5 million, which is an 8.3 percent increase.
- ❖ The governmental activities reported a deficiency of \$1,256,205 after transfers. The business-type activities reported a deficiency of \$254,970 after transfers.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

**REPORTING THE CITY AS A WHOLE**

Our analysis of the City as a whole begins on page 14. The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps determine if the City is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the City's financial position. Increases or decreases in the City's net assets are one indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, water lines, sewer lines, drainage systems, electrical facilities and other capital assets to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- ❖ **Governmental activities**—Most of the City's basic services are reported here, including the police, fire, public works, and parks departments and general administration. Property taxes, franchise fees, sales taxes and state and federal grants finance most of these activities.
- ❖ **Business-type activities**—The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems and electric facilities are reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 16. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (like CDBG projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- ❖ **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.
- ❖ **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or the other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's Information Systems Fund.

### **The City as Trustee**

The City is a trustee—it is responsible for other assets that —because of a trust arrangement—can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## The City as a Whole

The City's *combined* net assets were virtually unchanged from a year ago—decreasing from \$31 million to \$29.5 million. The analysis below focuses on the net assets (Table 1), and changes in net assets (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 2,641,884	\$ 3,248,076	\$ 4,622,378	\$ 5,048,578	\$ 7,264,262	\$ 8,296,654
Capital assets	11,072,746	11,910,572	23,443,477	23,719,828	34,516,223	35,630,400
<b>Total assets</b>	<b>\$ 13,714,630</b>	<b>\$ 15,158,648</b>	<b>\$ 28,065,855</b>	<b>\$ 28,768,406</b>	<b>\$ 41,780,485</b>	<b>\$ 43,927,054</b>
Long-term debt outstanding	\$ 342,468	\$ 388,727	\$ 10,028,488	\$ 10,525,852	\$ 10,370,956	\$ 10,914,579
Other liabilities	919,556	1,080,653	976,291	906,965	1,895,847	1,987,618
<b>Total liabilities</b>	<b>\$ 1,262,024</b>	<b>\$ 1,469,380</b>	<b>\$ 11,004,779</b>	<b>\$ 11,432,817</b>	<b>\$ 12,266,803</b>	<b>\$ 12,902,197</b>
<b>Net assets:</b>						
Invested in capital assets, net of debt	\$ 10,846,493	\$ 11,502,333	\$ 13,402,729	\$ 13,035,194	\$ 24,249,222	\$ 24,537,527
Restricted	399,379	304,888	2,137,257	3,431,820	2,536,636	3,736,708
Unrestricted	1,206,734	1,882,047	1,521,090	868,575	2,727,824	2,750,622
<b>Total net assets</b>	<b>\$ 12,452,606</b>	<b>\$ 13,689,268</b>	<b>\$ 17,061,076</b>	<b>\$ 17,335,589</b>	<b>\$ 29,513,682</b>	<b>\$ 31,024,857</b>

Net Assets of the City's governmental activities decreased by 8.8 percent (\$12.5 million compared to \$13.7 million in 2003). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$1.88 million at June 30, 2003, to \$1.21 million at the end of this year.

Net Assets of our business-type activities decreased 1.2 percent (\$17.1 million compared to \$17.3 million in 2003.). Unrestricted net assets for this group amount to \$1,521,090. These net assets are used to finance the continuing operations of the water, sewer, electric and swimming pool funds.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 712,597	\$ 672,855	\$ 7,150,236	\$ 6,701,072	\$ 7,862,833	\$ 7,373,927
Operating grants and cont.	502,481	498,322			502,481	498,322
Capital grants and cont.	34,078	109,164		100,000	34,078	209,164
General Revenues						
Property taxes	973,143	932,461			973,143	932,461
Sales taxes	2,858,509	2,691,243			2,858,509	2,691,243
Other general revenues	33,427	57,793	78,197	158,149	111,624	215,942
<b>Total revenues</b>	<b>\$ 5,114,235</b>	<b>\$ 4,961,838</b>	<b>\$ 7,228,433</b>	<b>\$ 6,959,221</b>	<b>\$ 12,342,668</b>	<b>\$ 11,921,059</b>
<b>Program Expenses</b>						
General government	\$ 1,658,779	\$ 1,637,317			\$ 1,658,779	\$ 1,637,317
Public safety	1,877,161	1,876,980			1,877,161	1,876,980
Highways and public improv.	2,663,053	2,527,489			2,663,053	2,527,489
Parks and recreation	976,036	1,042,860			976,036	1,042,860
Economic development	27,919				27,919	
Intergovernmental	61,100	59,600			61,100	59,600
Capital outlay	128,426				128,426	
Interest on long-term debt	10,952	17,449			10,952	17,449
Water and sewer			2,962,907	\$ 2,394,885	2,962,907	2,394,885
Electric			2,895,079	2,967,247	2,895,079	2,967,247
Pool			555,257	552,106	555,257	552,106
Price Community Center			37,174	39,477	37,174	39,477
<b>Total expenses</b>	<b>\$ 7,403,426</b>	<b>\$ 7,161,695</b>	<b>\$ 6,450,417</b>	<b>\$ 5,953,715</b>	<b>\$ 13,853,843</b>	<b>\$ 13,115,410</b>
<b>Excess (deficiency) before transfers</b>	<b>\$ (2,289,191)</b>	<b>\$ (2,199,857)</b>	<b>\$ 778,016</b>	<b>\$ 1,005,506</b>	<b>\$ (1,511,175)</b>	<b>\$ (1,194,351)</b>
<b>Transfers</b>	<b>1,032,986</b>	<b>1,779,225</b>	<b>(1,032,986)</b>	<b>(1,779,225)</b>		
<b>Change in net assets</b>	<b>\$ (1,256,205)</b>	<b>\$ (420,632)</b>	<b>\$ (254,970)</b>	<b>\$ (773,719)</b>	<b>\$ (1,511,175)</b>	<b>\$ (1,194,351)</b>
Net Assets - beginning	\$ 13,689,268	\$ 14,109,900	\$ 17,335,589	\$ 18,109,308	\$ 31,024,857	\$ 32,219,208
Prior period adjustment	19,543		(19,543)			
<b>Net Assets - ending</b>	<b>\$ 12,452,606</b>	<b>\$ 13,689,268</b>	<b>\$ 17,061,076</b>	<b>\$ 17,335,589</b>	<b>\$ 29,513,682</b>	<b>\$ 31,024,857</b>

The City's total revenues increased by 3.5 percent (\$421,609). The total cost of all programs and services increased \$582,088 or 4.4 percent, with two new programs added this year; economic development and capital outlay. Our analysis below separately considers the operations of governmental and business-type activities.

### Governmental Activities

Revenues for the City's governmental type activities increased by 3.1 percent (\$152,397), while total expenses increased 3.4 percent (\$241,731). Property taxes increased by 4.4 percent, and sales taxes increased by 6.2 percent. The largest source of funds was sales taxes followed by the transfer of funds from the Electric Fund, property taxes, and highway taxes. Net assets for governmental activities decreased \$1,256,205 in 2004. This compares to a \$420,632 decrease in net assets in 2003.

The cost of all governmental activities this year was \$7.4 million compared to \$7.2 million last year. As shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$3.8 million because some of the cost was paid by those who directly benefited from the programs (\$712,597) or by other governments and organizations that subsidized certain programs with grants and contributions (\$536,559). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2004 from \$1.3 to \$1.2 million, principally based on decreased intergovernmental aid.

Table 3 presents the cost of each of the City's four largest programs—general government, public safety, highways and public improvements, and parks and recreation—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2004	2003	2004	2003	2004	2003
<b>Primary government</b>						
Governmental activities:						
General government	\$ 1,658,779	\$ 1,637,317	\$ 330,757	\$ 267,155	\$ (1,328,022)	\$ (1,370,162)
Public safety	1,877,161	1,876,980	153,568	123,846	(1,723,593)	(1,753,134)
Highways and public improvements	2,663,053	2,527,489	652,850	733,645	(2,010,203)	(1,793,844)
Parks and recreation	976,036	1,042,860	110,571	155,695	(865,465)	(887,165)
Other	228,397	77,049	1,410		(226,987)	(77,049)
<b>Total governmental   activities</b>	<b>\$ 7,403,426</b>	<b>\$ 7,161,695</b>	<b>\$ 1,249,156</b>	<b>\$ 1,280,341</b>	<b>\$ (6,154,270)</b>	<b>\$ (5,881,354)</b>

## **Business-type Activities**

Revenues of the City's business-type activities increased 3.9 percent (\$7.2 million in 2004 compared to \$7 million in 2003) while expenses increased 8.3 percent; attributed to increases in personnel costs and daily operation and maintenance. The majority of this increase in revenue is a result of a 3 percent increase in water rates.

The City is not benefiting from any growth. The population has actually decreased during the past 10 years.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$1.5 million, which is slightly lower than last year's total of \$2 million. The following change in fund balance should be noted:

Each year the State provides the City with a portion of the gasoline tax revenues it collects. This money can only be used to replace, maintain, or improve the City's roads. This year the City received \$344,829 and used \$245,133. The remainder increases the fund balance for Class C Roads and is used to fund projects in future years.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the City budget twice. The first budget revision was to adjust for estimates made in April 2003, as circumstances change. The second adjustment was near the end of the fiscal year and was to prevent budget overruns and to reflect more closely what actually happened during the year.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$284,357 below the final budget amounts. The most significant positive variance (\$124,968) occurred in the City's streets department of which \$94,867 was from Class C Roads.

Resources for appropriation (revenues) were \$48,591 over the final budgeted amount. The most significant overage occurred in sales tax revenue.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2004, the City had \$35 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines (see Table 4 below). This amount represents a net decrease (including additions and deletions) of just over \$1 million, or a 3 percent decrease over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>	<b>Activities</b>
	2004	2003	2004	2003	2004	2003
Water stock			\$ 994,922	\$ 944,922	\$ 994,922	\$ 944,922
Land	\$ 1,015,137	\$ 1,015,137	214,660	229,110	1,229,797	1,244,247
Buildings	2,688,959	2,804,652	6,982,924	7,285,155	9,671,883	10,089,807
Improvements other than buildings	1,271,804	1,050,657	14,613,327	6,550,464	15,885,131	7,601,121
Equipment	866,796	1,062,434	390,345	448,699	1,257,141	1,511,133
Infrastructure	5,226,680	5,968,392			5,226,680	5,968,392
Work in progress	3,370	9,300	247,299	8,261,478	250,669	8,270,778
<b>Total assets activities</b>	<b>\$ 11,072,746</b>	<b>\$ 11,910,572</b>	<b>\$ 23,443,477</b>	<b>\$ 22,774,906</b>	<b>\$ 34,516,223</b>	<b>\$ 35,630,400</b>

This year's major additions included:

Water transmission line	\$ 376,264
Paid with water revenue bonds and City funds	
Pool plumbing	60,000
Paid with City funds	
Restrooms/park improvements	311,377
Paid with City funds	
Water/sewer distribution line replacement	264,160
Paid with City funds	
<b>Total</b>	<b><u>\$1,011,801</u></b>

The City's fiscal year 2005 capital budget calls for it to spend approximately \$2.8 million for capital projects, (of which \$1.5 million is grants/loans) principally for improvements, the purchase of the East Price electrical system, and construction of the north east loop road. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

#### **Debt**

At year-end, the City had \$10.2 million in bonds and leases outstanding versus \$11 million last year—a decrease of 7.3 percent—as shown in Table 5.

**Table 5  
Outstanding Debt at Year-end**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	2004	2003	2004	2003	2004	2003
Bonds payable	\$ 65,478	\$ 83,478	\$ 9,975,615	\$ 10,617,090	\$ 10,041,093	\$ 10,700,568
Leases payable	155,149	314,498	64,456	64,457	219,605	378,955
<b>Total debt</b>	<b>\$220,627</b>	<b>\$397,976</b>	<b>\$ 10,040,071</b>	<b>\$ 10,681,547</b>	<b>\$ 10,260,698</b>	<b>\$ 11,079,523</b>

No new debt was incurred during the year. Other obligations include \$308,819 of accrued vacation, sick, and comp time pay. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

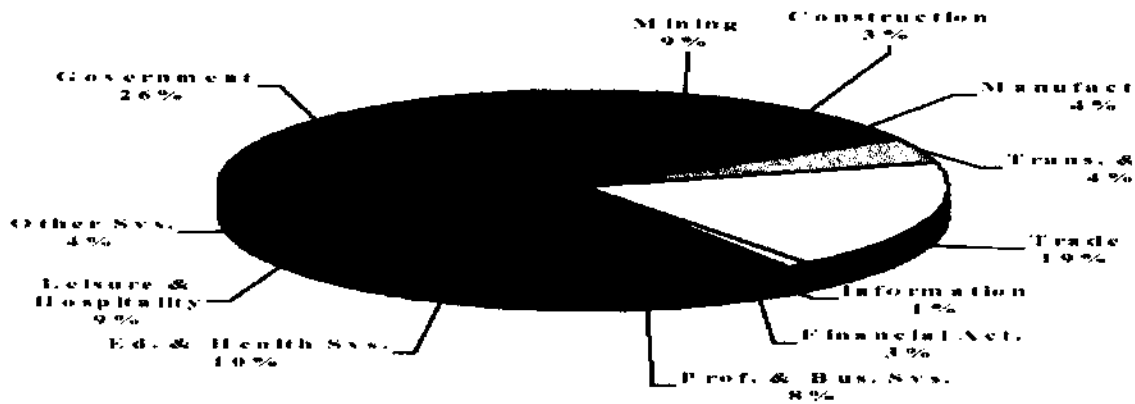
The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget. One of those factors is the economy.

Price City and Carbon County as a whole have experienced a decrease in population over the past decade. The unemployment rate for the county as of October 2004 is 5.6 percent compared to the state's 4.8 percent. The second quarter of 2004 was the sixth straight quarter of declining unemployment in Carbon County. Last year at this time, the unemployment rate was 7.1 percent.

Carbon County's economy took another hit in the second quarter of 2004. Unemployment decreased by 1.5 percent, as both goods and service-producing industries eliminated positions. Both construction activity and gross taxable sales were up in the quarter, hopefully pointing to stronger economic conditions ahead. Mining jobs shed 67 positions. Looking forward, mining employment should stabilize, if not increase, with the reopening of several area coal mines.

The declines in goods-producing employment spilled over into the service producing industries, which lost 59 jobs over the year. This loss can be attributed to some sizable declines in retail trade and professional services. There was some positive growth in information, private education and health services and leisure and hospitality.

## CARBON COUNTY EMPLOYMENT DISTRIBUTION BY INDUSTRY - 2002



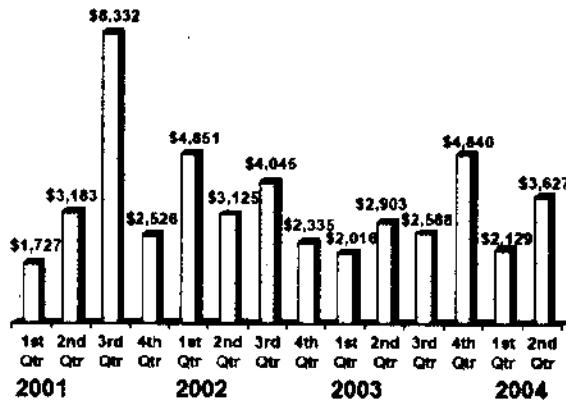
Source: Utah Dept. of Workforce Services.

These industries have a total of 10,000 jobs, representing 50 percent of the county's total employment. The county's total employment is 20,000 jobs. The county's total population is 10,000 people. The county's total area is 10,000 square miles. The county's total number of households is 10,000 households. The county's total number of families is 10,000 families. The county's total number of children is 10,000 children. The county's total number of adults is 10,000 adults. The county's total number of seniors is 10,000 seniors. The county's total number of disabled people is 10,000 disabled people. The county's total number of people with low income is 10,000 people with low income. The county's total number of people with no health insurance is 10,000 people with no health insurance. The county's total number of people with no dental insurance is 10,000 people with no dental insurance. The county's total number of people with no vision insurance is 10,000 people with no vision insurance. The county's total number of people with no life insurance is 10,000 people with no life insurance. The county's total number of people with no disability insurance is 10,000 people with no disability insurance. The county's total number of people with no unemployment insurance is 10,000 people with no unemployment insurance. The county's total number of people with no workers' compensation insurance is 10,000 people with no workers' compensation insurance. The county's total number of people with no auto insurance is 10,000 people with no auto insurance. The county's total number of people with no home insurance is 10,000 people with no home insurance. The county's total number of people with no life insurance is 10,000 people with no life insurance. The county's total number of people with no disability insurance is 10,000 people with no disability insurance. The county's total number of people with no unemployment insurance is 10,000 people with no unemployment insurance. The county's total number of people with no workers' compensation insurance is 10,000 people with no workers' compensation insurance. The county's total number of people with no auto insurance is 10,000 people with no auto insurance. The county's total number of people with no home insurance is 10,000 people with no home insurance.

Construction activity in Carbon County, as measured by permit valuation, jumped 25 percent in the second quarter of 2004. Even though the number of permits for new dwelling units fell by one unit over the last year, the increased valuation of the permits pushed residential construction up 35 percent to \$2.35 million. New nonresidential construction fell roughly 36 percent to \$506,000. Remodeling activity for both residential and nonresidential properties increased significantly, almost doubling in value over last year. Also of note, nearly 80 percent of all construction activity was located in unincorporated areas of the county.

### Carbon County Total Construction Permit Valuation

(Thousands of dollars)



Source: Utah Bureau of Economic & Business Research.



Mining employment will hopefully stabilize in the coming quarters as several area coal mines have either reopened or are in the process of reopening. If these actions pan out, the local economy should rebound nicely. Otherwise, the county will likely see slow-to-no growth for the rest of 2004.

## **Carbon County Economic Events**

*Last Updated 8/31/2004*

The Bureau of Land Management has announced that the natural and cultural resources of the West Tavaputs Plateau and Nine Mile Canyon will not be significantly affected by a recently approved exploratory drilling program searching for natural gas. The Bill Barrett Corp.'s proposal includes 22 vertical wells on public land. The wells will be on the Tavaputs Plateau, while two buried gas lines will be in Dry Canyon and Nine Mile Canyon, routed to avoid any standing structures, rock art or other cultural artifacts.

*Salt Lake Tribune, 8/11/2004*

Carbon County's road department shop project took a major step forward when the Utah Permanent Community Impact Board members approved a loan and grant to start the first phase in the building's construction. The CIB awarded a grant of \$376,570 and a \$1 million loan for the county's road shop project last week. In addition to constructing a road shop building, the CIB grant and loan money will be used to install the sewer, water and power infrastructure at the project site as well.

*The Sun Advocate, 8/10/2004*

The county's economy is becoming more diverse. This will help sustain the county during slow economic times.

Sales tax is the City's major source of revenue; the transfer from the Electric Fund being the second. Sales tax has remained stagnant over the past four years; the transfer from the Electric Fund was decreased by approximately 30 percent for fiscal year 2005. Fiscal year 2005 expenditures are budgeted for \$6.9 million. Capital expenditures for 2005 were budgeted at a 20 percent increase over the 2004 budget.

The General Fund will use \$245,100 from fund balance while the Electric Fund is budgeted to increase fund balance by \$100,000 to aid in maintaining the electrical system. The City will continue to use the lease/purchase tool to fund much needed equipment.

Personnel costs of \$5.2 million are the largest expenditure for the City. The personnel costs budgeted in 2005 reflect a 3 percent increase. The City offers three different levels of health insurance for employees. Employees opting for the higher cost insurance must participate in paying the premiums.

As for the business-type activities, a 3 percent water rate increase will be imposed for fiscal year 2005 and an additional \$1.00 will be assessed for sewer services.

The Electric Fund will continue to pursue the purchase of the East Price electrical system from Utah Power and Light.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Finance Director's Office at 185 East Main, Price, Utah.

**Note:**

Economic information about Carbon County was taken from the Utah Department of Workforce Services.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,156,938	\$ 1,830,564	\$ 2,987,502
Investments - restricted	67,905	2,137,257	2,205,162
Taxes receivable	689,224		689,224
Accounts receivable (net)		467,834	467,834
Miscellaneous receivable	74,318	219,076	293,394
Internal balances	32,353	(32,353)	
Due from other funds	60,000		60,000
Due from other governmental units	540,284		540,284
Inventory of supplies	20,862		20,862
Capital assets (net of accumulated depreciation):			
Water stock		994,922	994,922
Land	1,015,137	214,660	1,229,797
Buildings	2,688,959	6,982,924	9,671,883
Improvements other than buildings	1,271,804	14,613,327	15,885,131
Equipment	866,796	390,345	1,257,141
Infrastructure	5,226,680		5,226,680
Work in progress	3,370	247,299	250,669
<b>Total assets</b>	<b>\$ 13,714,630</b>	<b>\$ 28,065,855</b>	<b>\$ 41,780,485</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 135,238	\$ 662,236	\$ 797,474
Accrued liabilities	16,959	4,404	21,363
Sales tax payable		14,720	14,720
Bond interest payable	5,625	677	6,302
Due to other funds		60,000	60,000
Deferred revenue	601,872		601,872
Noncurrent liabilities:			
Customer deposits payable		195,555	195,555
Revenue bonds payable - Due within one year	19,000		19,000
Capital leases payable - Due within one year	140,862	38,699	179,561
Revenue bonds payable - Due in more than one year	46,478	9,975,615	10,022,093
Capital lease payable - Due in more than one year	14,287	25,757	40,044
Compensated absences	281,703	27,116	308,819
<b>Total liabilities</b>	<b>\$ 1,262,024</b>	<b>\$ 11,004,779</b>	<b>\$ 12,266,803</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 10,846,493	\$ 13,402,729	\$ 24,249,222
Restricted for:			
Class C Roads	246,373		246,373
Redevelopment agency	3,178		3,178
Drug task force	35,053		35,053
Price economic vitality	113,219		113,219
CDBG capital projects	1,556		1,556
Debt service		2,137,257	2,137,257
Unrestricted	1,206,734	1,521,090	2,727,824
<b>Total net assets</b>	<b>\$ 12,452,606</b>	<b>\$ 17,061,076</b>	<b>\$ 29,513,682</b>

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

PRICE MUNICIPAL CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
<b>FUNCTION/PROGRAMS</b>							
<b>Primary government:</b>							
Governmental activities							
General government	\$ 1,658,779	\$ 268,400	\$ 50,357	\$ 12,000	\$ (1,328,022)	\$ (1,328,022)	
Public safety	1,877,161	58,940	94,628		(1,723,593)	(1,723,593)	
Highways and public improvements	2,663,053	305,943	344,829	2,078	(2,010,203)	(2,010,203)	
Parks and recreation	976,036	77,904	12,667	30,000	(865,465)	(865,465)	
Economic development	27,919	1,410			(26,509)	(26,509)	
Intergovernmental	61,100				(61,100)	(61,100)	
Capital outlay	128,426				(128,426)	(128,426)	
Interest on long-term debt	10,952				(10,952)	(10,952)	
<b>Total governmental activities</b>	<b>\$ 7,403,426</b>	<b>\$ 712,597</b>	<b>\$ 502,481</b>	<b>\$ 34,078</b>	<b>\$ (6,154,270)</b>	<b>\$ (6,154,270)</b>	
Business-type activities							
Water and sewer	\$ 2,962,907	\$ 2,892,017			\$ (70,890)	\$ (70,890)	
Electric	2,895,079	4,080,505			1,185,426	1,185,426	
Pool	555,257	160,811			(394,446)	(394,446)	
Price Community Center	37,174	16,903			(20,271)	(20,271)	
<b>Total business-type activities</b>	<b>\$ 6,450,417</b>	<b>\$ 7,150,236</b>	<b>\$</b>	<b>\$</b>	<b>\$ 699,819</b>	<b>\$ 699,819</b>	
<b>Total primary government</b>	<b>\$ 13,853,843</b>	<b>\$ 7,862,833</b>	<b>\$ 502,481</b>	<b>\$ 34,078</b>	<b>\$ (6,154,270)</b>	<b>\$ (5,454,451)</b>	
General revenues							
Property taxes			\$ 973,143		\$ 973,143	\$ 973,143	
Sales and franchise taxes			2,858,509		2,858,509	2,858,509	
Grants and contributions not restricted to specific programs			10,158		10,158	10,158	
Unrestricted investment earnings			18,404	\$ 78,197	96,601	96,601	
Gain on sale of capital assets			4,865		4,865	4,865	
Miscellaneous							
Transfers in (out)			1,032,986		(1,032,986)		
<b>Total general revenues and transfers</b>			<b>\$ 4,898,065</b>	<b>\$ (954,789)</b>	<b>\$ 3,943,276</b>	<b>\$ 3,943,276</b>	
Change in net assets			\$ (1,256,205)	\$ (254,970)	\$ (1,511,175)	\$ (1,511,175)	
Net assets - beginning			13,689,268	17,335,589	31,024,857	31,024,857	
Prior period adjustment			19,543	(19,543)			
<b>Net assets - ending</b>			<b>\$ 12,452,606</b>	<b>\$ 17,061,076</b>	<b>\$ 29,513,682</b>	<b>\$ 29,513,682</b>	

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

**PRICE MUNICIPAL CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 300,170	\$ 518,528	\$ 818,698
Investments restricted	40,070	27,835	67,905
Receivables (net):			
Taxes	689,224		689,224
Miscellaneous	37,290	36,965	74,255
Due from other governmental units	532,031	8,250	540,281
Due from other funds		60,000	60,000
Inventory of supplies at cost	20,863		20,863
	<u>20,863</u>	<u>60,000</u>	<u>20,863</u>
Total assets	<u>\$ 1,619,648</u>	<u>\$ 651,578</u>	<u>\$ 2,271,226</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable	\$ 94,877	\$ 23,032	\$ 117,909
Accrued liabilities	15,058	1,458	16,516
Deferred revenue	601,872		601,872
	<u>601,872</u>	<u>23,032</u>	<u>601,872</u>
Total liabilities	<u>\$ 711,807</u>	<u>\$ 24,490</u>	<u>\$ 736,297</u>
Fund balances:			
Reserved for:			
Class C Roads	\$ 246,373		\$ 246,373
Drug Task Force		\$ 35,053	35,053
Price economic vitality		113,219	113,219
CDBG capital projects		1,556	1,556
Redevelopment agency		3,178	3,178
Unreserved, reported in:			
General fund	661,468		661,468
Special revenue funds		34,132	34,132
Capital project funds		439,950	439,950
	<u>661,468</u>	<u>439,950</u>	<u>439,950</u>
Total fund balances	<u>\$ 907,841</u>	<u>\$ 627,088</u>	<u>\$ 1,534,929</u>
Total liabilities and fund balances	<u>\$ 1,619,648</u>	<u>\$ 651,578</u>	<u>\$ 2,271,226</u>

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

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

Total fund balances - governmental fund types: \$ 1,534,929

Accumulated effect of crossover amounts charged in business-type activities  
from Internal Service Fund activity. 32,353

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported in the funds.

Land	\$ 1,015,137	
Buildings	2,688,959	
Improvements other than buildings	1,271,806	
Equipment	866,796	
Infrastructure	5,226,680	
Work in progress	<u>3,370</u>	11,072,748

Long-term liabilities, including bonds payable, are not due and payable in the current  
period and therefore are not reported in the funds.

Bond interest payable	\$ (5,625)	
Revenue bonds payable - current portion	(19,000)	
Revenue bonds payable - one year	(46,478)	
Capital leases payable - current portion	(140,863)	
Capital leases payable - one year	(14,286)	
Compensated absences	<u>(281,703)</u>	(507,955)

Internal service funds are used by management to charge the costs of information systems  
to individual funds. The assets and liabilities of internal service funds are included in  
governmental activities in the statement of net assets.

Cash	\$ 338,240	
Miscellaneous receivables	63	
Vouchers payable	(17,329)	
Salaries payable	<u>(443)</u>	<u>320,531</u>

Net assets of governmental activities: \$ 12,452,606

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Taxes	\$ 3,610,446	\$ 221,206	\$ 3,831,652
Licenses and permits	149,259		149,259
Intergovernmental	445,603	124,244	569,847
Charges for services	400,160	12,320	412,480
Fines and forfeitures	82,894	1,850	84,744
Contributions	8,870		8,870
Miscellaneous revenue	52,437	1,747	54,184
<b>Total revenues</b>	<b><u>\$ 4,749,669</u></b>	<b><u>\$ 361,367</u></b>	<b><u>\$ 5,111,036</u></b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General government	\$ 1,750,936		\$ 1,750,936
Public safety	1,622,366	\$ 154,749	1,777,115
Highways and public improvements	1,545,783	258,043	1,803,826
Parks, recreation, and public property	543,125	365,950	909,075
Economic development	27,694	225	27,919
Intergovernmental expenditures	61,100		61,100
Capital outlay		128,426	128,426
<b>Debt service:</b>			
Principal retirement	177,349		177,349
Interest and fiscal charges	15,590		15,590
<b>Total expenditures</b>	<b><u>\$ 5,743,943</u></b>	<b><u>\$ 907,393</u></b>	<b><u>\$ 6,651,336</u></b>
<b>Excess revenues over (under) expenditures</b>	<b><u>\$ (994,274)</u></b>	<b><u>\$ (546,026)</u></b>	<b><u>\$ (1,540,300)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	\$ 1,386,086	\$ 416,000	\$ 1,802,086
Transfers out	(769,100)		(769,100)
<b>Total other financing sources (uses)</b>	<b><u>\$ 616,986</u></b>	<b><u>\$ 416,000</u></b>	<b><u>\$ 1,032,986</u></b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b><u>\$ (377,288)</u></b>	<b><u>\$ (130,026)</u></b>	<b><u>\$ (507,314)</u></b>
<b>FUND BALANCES - beginning of year</b>	<b><u>1,285,129</u></b>	<b><u>757,114</u></b>	<b><u>2,042,243</u></b>
<b>FUND BALANCES - end of year</b>	<b><u>\$ 907,841</u></b>	<b><u>\$ 627,088</u></b>	<b><u>\$ 1,534,929</u></b>

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

**PRICE MUNICIPAL CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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

Net changes in fund balances - total governmental funds	\$ (507,314)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(793,698)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	177,349
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(99,273)
Internal service funds are used by management to charge the costs of management information systems to individual funds.	(27,528)
Change in net assets of governmental activities	<u>\$ (1,250,464)</u>

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>INTERNAL SERVICE FUND</u>
	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>	
<u>ASSETS</u>					
Current assets:					
Cash	\$ 843,222	\$ 691,092	\$ 296,250	\$ 1,830,564	\$ 338,240
Investments - restricted	2,137,257			2,137,257	
Receivables - net					
Utilities	228,764	239,070		467,834	
Miscellaneous	197,844	18,837	2,395	219,076	63
Total current assets	<u>\$ 3,407,087</u>	<u>\$ 948,999</u>	<u>\$ 298,645</u>	<u>\$ 4,654,731</u>	<u>\$ 338,303</u>
Noncurrent assets:					
Water stock	\$ 994,922			\$ 994,922	
Land	177,306	\$ 37,354		214,660	
Equipment, buildings and improvements	24,909,123	6,737,590	\$ 3,463,256	35,109,969	\$ 266,462
Work in progress	158,828	88,471		247,299	
Less: Accumulated depreciation	<u>(8,581,780)</u>	<u>(3,141,739)</u>	<u>(1,399,854)</u>	<u>(13,123,373)</u>	<u>(109,841)</u>
Total noncurrent assets	<u>\$ 17,658,399</u>	<u>\$ 3,721,676</u>	<u>\$ 2,063,402</u>	<u>\$ 23,443,477</u>	<u>\$ 156,621</u>
Total assets	<u>\$ 21,065,486</u>	<u>\$ 4,670,675</u>	<u>\$ 2,362,047</u>	<u>\$ 28,098,208</u>	<u>\$ 494,924</u>
<u>LIABILITIES</u>					
Current liabilities:					
Vouchers payable	\$ 351,082	\$ 229,828	\$ 81,326	\$ 662,236	\$ 17,329
Accrued liabilities	1,978	582	1,844	4,404	443
Accrued interest payable	677			677	
Sales tax payable		11,624	3,096	14,720	
Due to other funds			60,000	60,000	
Current portion - long-term debt	38,699			38,699	
Total current liabilities	<u>\$ 392,436</u>	<u>\$ 242,034</u>	<u>\$ 146,266</u>	<u>\$ 780,736</u>	<u>\$ 17,772</u>

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

PRICE MUNICIPAL CORPORATION  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	NONMAJOR FUNDS	TOTAL	
Noncurrent liabilities:					
Compensated absences	\$ 20,604	\$ 2,210	\$ 4,302	\$ 27,116	\$ 7,005
Customer deposits payable		195,555		195,555	
Capital leases payable	25,757			25,757	
Revenue bonds payable	9,975,615			9,975,615	
Total noncurrent liabilities	<u>\$ 10,021,976</u>	<u>\$ 197,765</u>	<u>\$ 4,302</u>	<u>\$ 10,224,043</u>	<u>\$ 7,005</u>
Total liabilities	<u>\$ 10,414,412</u>	<u>\$ 439,799</u>	<u>\$ 150,568</u>	<u>\$ 11,004,779</u>	<u>\$ 24,777</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 7,617,651	\$ 3,721,676	\$ 2,063,402	\$ 13,402,729	\$ 156,621
Restricted	2,137,257			2,137,257	
Unrestricted	896,166	509,200	148,077	1,553,443	313,526
Total net assets	<u>\$ 10,651,074</u>	<u>\$ 4,230,876</u>	<u>\$ 2,211,479</u>	<u>\$ 17,093,429</u>	<u>\$ 470,147</u>
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(32,353)	
Net assets of business-type activities				<u>\$ 17,061,076</u>	

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>				<u>INTERNAL SERVICE FUND</u>
	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>	
Operating revenues:					
Charges for sales and services	\$ 2,892,017	\$ 4,080,505	\$ 177,714	\$ 7,150,236	\$ 278,400
Total operating revenues	<u>\$ 2,892,017</u>	<u>\$ 4,080,505</u>	<u>\$ 177,714</u>	<u>\$ 7,150,236</u>	<u>\$ 278,400</u>
Operating expenses:					
Employee salaries	\$ 317,453	\$ 91,243	\$ 180,030	\$ 588,726	\$ 71,564
Employee benefits	161,025	48,803	53,145	262,973	37,706
Contractual services	351,350	105,344	5,820	462,514	
Supplies	37,496	26,946	54,600	119,042	68,359
Materials	64,625	1,691		66,316	
Utilities	19,118	11,255	124,612	154,985	33,256
Fuel and oil	13,275	2,359	649	16,283	131
Repairs and maintenance	87,335	152,726	38,410	278,471	70,852
Depreciation	839,196	159,516	125,298	1,124,010	43,774
Bad debts		22,712		22,712	
Water assessments	12,495			12,495	
Power purchases		2,252,554		2,252,554	
Contributions to other governmental units	847,087			847,087	
Miscellaneous	3,820	3,482		7,302	6,842
Advertising			7,526	7,526	
Rentals	3,259	918	630	4,807	
Total operating expenses	<u>\$ 2,757,534</u>	<u>\$ 2,879,549</u>	<u>\$ 590,720</u>	<u>\$ 6,227,803</u>	<u>\$ 332,484</u>
Operating income (loss)	<u>\$ 134,483</u>	<u>\$ 1,200,956</u>	<u>\$ (413,006)</u>	<u>\$ 922,433</u>	<u>\$ (54,084)</u>

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS</u>				INTERNAL SERVICE FUND
	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTAL</u>	
Nonoperating revenues (expenses):					
Interest revenue	\$ 73,772	\$ 4,425		\$ 78,197	\$ 3,199
Interest expense and fiscal charges	(197,984)		\$ (752)	(198,736)	
Grants					
Gain (loss) on disposition of fixed assets	(170)			(170)	(352)
<b>Total nonoperating revenues (expenses)</b>	<b>\$ (124,382)</b>	<b>\$ 4,425</b>	<b>\$ (752)</b>	<b>\$ (120,709)</b>	<b>\$ 2,847</b>
<b>Income (loss) before transfers</b>	<b>\$ 10,101</b>	<b>\$ 1,205,381</b>	<b>\$ (413,758)</b>	<b>\$ 801,724</b>	<b>\$ (51,237)</b>
Transfers In (Out):					
Transfers in			\$ 353,100	\$ 353,100	
Transfers out	\$ (184,836)	\$ (1,201,250)		(1,386,086)	
<b>Total transfers in (out):</b>	<b>\$ (184,836)</b>	<b>\$ (1,201,250)</b>	<b>\$ 353,100</b>	<b>\$ (1,032,986)</b>	<b>\$ ...</b>
<b>Change in net assets</b>	<b>\$ (174,735)</b>	<b>\$ 4,131</b>	<b>\$ (60,658)</b>	<b>\$ (231,262)</b>	<b>\$ (51,237)</b>
<b>Total net assets - beginning</b>	<b>10,825,809</b>	<b>4,226,745</b>	<b>2,272,137</b>		<b>521,384</b>
<b>Total net assets - ending</b>	<b>\$ 10,651,074</b>	<b>\$ 4,230,876</b>	<b>\$ 2,211,479</b>		<b>\$ 470,147</b>
Adjustment to reflect the consolidation of ISF activities related to enterprise funds				(23,708)	
<b>Changes in net assets of business-type activities</b>				<b>\$ (254,970)</b>	

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPERETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND	TOTAL	
<b>Cash Flows From Operating Activities:</b>					
Cash receipts from customers	\$ 2,702,794	\$ 4,113,674	\$ 178,361	\$ 6,994,829	\$ 278,547
Cash payments to suppliers	(1,375,296)	(2,536,285)	(167,446)	(4,079,027)	(168,186)
Cash payments to employees	(484,639)	(142,615)	(244,074)	(871,328)	(107,624)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 842,859</b>	<b>\$ 1,434,774</b>	<b>\$ (233,159)</b>	<b>\$ 2,044,474</b>	<b>\$ 2,737</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers from other funds			\$ 353,100	\$ 353,100	
Transfers to other funds	\$ (184,836)	\$ (1,201,250)		(1,386,086)	
<b>Net cash provided (used) by noncapital financing activities</b>	<b>\$ (184,836)</b>	<b>\$ (1,201,250)</b>	<b>\$ 353,100</b>	<b>\$ (1,032,986)</b>	<b>\$ ...</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition of capital assets	\$ (676,143)	\$ (97,985)	\$ (73,700)	\$ (847,828)	
Interest paid on revenue bonds	(191,630)			(191,630)	
Principal paid on revenue bonds	(527,000)			(527,000)	
Interest paid on capital leases	(6,354)		(752)	(7,106)	
Principal paid on capital leases	(81,568)		(32,909)	(114,477)	
<b>Net cash provided (used) by capital and related financing activities</b>	<b>\$ (1,482,695)</b>	<b>\$ (97,985)</b>	<b>\$ (107,361)</b>	<b>\$ (1,688,041)</b>	<b>\$ ...</b>
<b>Cash Flows From Investing Activities:</b>					
Interest and dividends received	\$ 73,772	\$ 4,425		\$ 78,197	\$ 3,199
<b>Net cash provided (used) by investing activities</b>	<b>\$ 73,772</b>	<b>\$ 4,425</b>	<b>\$ ...</b>	<b>\$ 78,197</b>	<b>\$ 3,199</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (750,900)</b>	<b>\$ 139,964</b>	<b>\$ 12,580</b>	<b>\$ (598,356)</b>	<b>\$ 5,936</b>
Cash and cash equivalents, July 1	3,731,379	551,128	283,670	4,566,177	332,304
Cash and cash equivalents, June 30	<b>\$ 2,980,479</b>	<b>\$ 691,092</b>	<b>\$ 296,250</b>	<b>\$ 3,967,821</b>	<b>\$ 338,240</b>

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

PRICE MUNICIPAL CORPORATION  
STATEMENT OF CASH FLOWS  
PROPERETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	ENTERPRISE FUNDS				INTERNAL SERVICE FUND
	WATER AND SEWER FUND	ELECTRIC FUND	OTHER ENTERPRISE FUND	TOTAL	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 134,483	\$ 1,200,956	\$ (413,006)	\$ 922,433	\$ (54,084)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	\$ 839,196	\$ 159,516	\$ 125,298	\$ 1,124,010	\$ 43,774
(Increase) Decrease in utility receivables	7,730	39,953		47,683	
(Increase) Decrease in miscellaneous receivables	(196,953)	(6,784)	647	(203,090)	147
Increase (Decrease) in vouchers payable	67,124	10,112	62,747	139,983	11,254
Increase (Decrease) in compensated absences	3,468	21	(10,892)	(7,403)	3,950
Increase (Decrease) in sales tax payable		(12,790)	3,096	(9,694)	
Increase (Decrease) in customer deposits payable		46,380		46,380	
Increase (Decrease) in salaries payable	(2,945)	(805)	(2,373)	(6,123)	(697)
Increase (Decrease) in accrued interest payable	(2,560)		(1,042)	(3,602)	
Increase (Decrease) in accrued liabilities	(6,684)	(1,785)	2,366	(6,103)	(1,607)
Total adjustments	\$ 708,376	\$ 233,818	\$ 179,847	\$ 1,122,041	\$ 56,821
Net cash provided (used) by operating activities	\$ 842,859	\$ 1,434,774	\$ (233,159)	\$ 2,044,474	\$ 2,737

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
JUNE 30, 2004

	<u>YOUTH COUNCIL</u>	<u>COMMUNITY PROGRESS</u>	<u>SWIM TEAM</u>	<u>EVENTS FEES</u>	<u>PERFORMANCE BONDS</u>	<u>FIRE DEPARTMENT</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 761	\$ 1,545	\$ 8	\$ 4	\$ 41,360	\$ 12,880
Total assets	<u>\$ 761</u>	<u>\$ 1,545</u>	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 41,360</u>	<u>\$ 12,880</u>
<u>LIABILITIES</u>						
Liabilities	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 203</u>
<u>NET ASSETS</u>						
Held in trust	<u>\$ 761</u>	<u>\$ 1,545</u>	<u>\$ 8</u>	<u>\$ 4</u>	<u>\$ 41,360</u>	<u>\$ 12,677</u>

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

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>YOUTH COUNCIL</u>	<u>COMMUNITY PROGRESS</u>	<u>SWIM TEAM</u>	<u>EVENTS FEES</u>	<u>PERFORMANCE BONDS</u>	<u>FIRE DEPARTMENT</u>
<b>ADDITIONS:</b>						
<b>Contributions:</b>						
Plan members	\$ 500				\$ 22,464	\$ 15,378
<b>Total contributions</b>	<b>\$ 500</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ 22,464</b>	<b>\$ 15,378</b>
<b>DEDUCTIONS:</b>						
Administrative expenses						\$ 16,256
Refund of contributions					\$ 57,884	
<b>Total deductions</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ 57,884</b>	<b>\$ 16,256</b>
<b>Change in net assets</b>	<b>\$ 500</b>				<b>\$ (35,420)</b>	<b>\$ (878)</b>
Net assets - beginning of the year	261	\$ 1,545	\$ 8	\$ 4	76,780	13,555
<b>Net assets - end of the year</b>	<b>\$ 761</b>	<b>\$ 1,545</b>	<b>\$ 8</b>	<b>\$ 4</b>	<b>\$ 41,360</b>	<b>\$ 12,677</b>

**PRICE MUNICIPAL CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The Price Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member council. The City, incorporated in 1911, provides the following services: public safety, highways and public improvements, parks and recreation, economic development, library, swimming pool, and general administrative services. In addition, the City owns and operates culinary water and electric power systems and maintains its sewer lines.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations.

**Blended Component Unit**

The Price City Redevelopment Agency is included in this report as the Redevelopment Agency (RDA), a special revenue fund, which is a component unit blended in the City's financial statements. Although the RDA is clearly established as a separate entity under state law, it is included due to financial accountability and the extensive oversight provided by the City. Members of the City Council serve as the Board of Directors of the RDA.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Sales taxes, property taxes, franchise taxes, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation and maintenance of the City's water treatment plant and water and sewer distribution systems.

The Electric Fund accounts for the activities of the City's electric distribution operations.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the central financing of data processing goods and services provided to various departments of the City on a cost-reimbursement basis.

The Price City Trust Fund (a fiduciary fund) accounts for the assets held by the City as an agent for the Price Youth City Council, Community Progress Committee, Fire Department, Swim Team, and individuals or groups who have paid performance bonds to the City.

The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital improvements, facilities, and equipment (other than those financed by proprietary funds and special revenue funds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the Price City Trust Fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the City Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
- 2) Copies of the proposed budget are made available for public inspection and review by the citizens of the City.
- 3) If the City does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the City exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent City Council action. The City Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Budgetary Data (Continued)**

- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2004, have been included in the final budget approved by the City Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

**E. Cash and Cash Equivalents**

The City considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF), to be cash and cash equivalents.

**F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**G. Inventories**

Inventories consist of petroleum products used to operate and maintain the City's vehicles and equipment and are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment, infrastructure assets (e.g., roads, curb, gutter, sidewalks, and similar items), and water stock, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

H. **Capital Assets (Continued)**

Buildings, improvements, equipment, and infrastructure assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Office equipment	5-10
Machinery and equipment	5-10
Automotive equipment	5-20
Infrastructure	30

I. **Compensated Absences**

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation is paid.

Accumulated sick leave is earned at a rate of one day per month. Employees may accumulate 960 hours of sick leave. Upon retirement, death, or termination, one-fourth of the accumulated sick leave, not to exceed one month's base pay, is paid.

Employees can also accumulate comp time hours up to 40 hours. Employees are paid for unused comp time upon retirement, death, or termination.

All vacation, sick, and comp time pay is accrued when incurred in the government-wide and internal service fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

K. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Income from the investment of pooled cash is allocated based on each fund's fund balance. In addition, cash is separately held by individual funds.

At June 30, 2004, the book balance of cash on deposit was \$(8,703), and the bank balance was \$724,811. Of these deposits, \$100,000 was covered by federal depository insurance and is classified as Category 1 under GASB Statement 3. The remaining bank balance of \$624,811 is classified as Category 3. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (the Act) in handling its depository and temporary investment transactions. This law 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 requirements of the Act and adhering to the rules of the Utah Money Management Council.

Investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the City's name.

Cash and investments are carried at amortized cost and consist of the following at June 30, 2004:

	Category		Carrying Amount	Fair Value
	1	3		
Investments not subject to categorization:				
State Treasurers' Investment Pool			\$ 5,257,924	\$ 5,257,924
<b>Total investments</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ 5,257,924</b>	<b>\$ 5,257,924</b>

2. **DEPOSITS AND INVESTMENTS (Continued)**

The Utah Public Treasurers' Investment Fund, managed by the Utah State Treasurer, is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested in securities permitted by the Money Management Act and contain no withdrawal restrictions other than timely notice of intent to withdraw an amount greater than \$2 million. Monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. Investment activity of the State Treasurer is reviewed monthly by the Utah Money Management Council and is audited by the Utah State Auditor. The fair value of the position of the Utah State Treasurers' Investment Pool is the same as the face value of the pool shares.

3. **RESTRICTED CASH**

During prior years, the City issued six Water & Sewer Revenue bonds for the construction and improvement of its culinary water system; namely, a main water transmission line and a ten million gallon water tank. In connection with the bond agreements, the City has established bond sinking and bond reserve funds. These funds are to assure that adequate money is available to service debt payments as they come due. Reserved amounts are shown below, along with other restricted funds.

Enterprise Funds

Sinking funds	\$ 679,340
Reserve accounts	663,644
Capital improvements	<u>794,273</u>
	<u>\$ 2,137,257</u>

General Fund

Class "C" Roads	<u>\$ 40,070</u>
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Special Revenue Fund

Drug Task Force	<u>\$ 27,835</u>
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#### 4. PROPERTY TAXES

The property tax revenue of the City is collected and distributed by the Carbon County treasurer as an agent of the City. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2004, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2003 and earlier and 2) taxes assessed as of January 1, 2004, but are not due and payable until November 20, 2004. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The City recognizes age-based fees as revenues when collected by the county.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,015,137			\$ 1,015,137
Other assets		\$ 32,000		32,000
Work in progress	9,300	3,370	\$ 9,300	3,370
<b>Total capital assets not being depreciated</b>	<b>\$ 1,024,437</b>	<b>\$ 35,370</b>	<b>\$ 9,300</b>	<b>\$ 1,050,507</b>
Capital assets being depreciated:				
Buildings	\$ 5,049,154	\$ 62,099		\$ 5,111,253
Improvements other than buildings	1,946,154	293,518		2,239,672
Machinery and equipment	3,427,552	42,400	\$ 34,742	3,435,210
Infrastructure	22,251,355			22,251,355
<b>Total capital assets being depreciated:</b>	<b>\$ 32,674,215</b>	<b>\$ 398,017</b>	<b>\$ 34,742</b>	<b>\$ 33,037,490</b>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Less accumulated depreciation for:				
Buildings	\$ 2,244,502	\$ 177,792		\$ 2,422,294
Improvements other than buildings	895,496	104,370		999,866
Machinery and equipment	2,365,118	237,686	\$ 34,390	2,568,414
Infrastructure	16,282,963	741,712		17,024,675
<b>Total accumulated depreciation</b>	<u>\$ 21,788,079</u>	<u>\$ 1,261,560</u>	<u>\$ 34,390</u>	<u>\$ 23,015,249</u>
<b>Total capital assets being depreciated, net</b>	<u>\$ 10,886,136</u>	<u>\$ (863,543)</u>	<u>\$ 352</u>	<u>\$ 10,022,241</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 11,910,573</u>	<u>\$ (828,173)</u>	<u>\$ 9,652</u>	<u>\$ 11,072,748</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 229,110		\$ 14,450	\$ 214,660
Water stock	944,922	\$ 50,000		994,922
Work in progress	8,261,479	225,006	8,239,186	247,299
<b>Total capital assets not being depreciated</b>	<u>\$ 9,435,511</u>	<u>\$ 275,006</u>	<u>\$ 8,253,636</u>	<u>\$ 1,456,881</u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 12,425,933	\$ 73,700		\$ 12,499,633
Improvements other than buildings	12,933,522	8,736,629		21,670,151
Machinery and equipment	<u>942,645</u>	<u>15,959</u>	<u>\$ 18,418</u>	<u>940,186</u>
Total capital assets being depreciated:	<u>\$ 26,302,100</u>	<u>\$ 8,826,288</u>	<u>\$ 18,418</u>	<u>\$ 35,109,970</u>
Less accumulated depreciation for:				
Buildings	\$ 5,140,779	\$ 375,930		\$ 5,516,709
Improvements other than buildings	6,383,059	673,765		7,056,824
Machinery and equipment	<u>493,944</u>	<u>74,315</u>	<u>\$ 18,418</u>	<u>549,841</u>
Total accumulated depreciation	<u>\$ 12,017,782</u>	<u>\$ 1,124,010</u>	<u>\$ 18,418</u>	<u>\$ 13,123,374</u>
Total capital assets being depreciated, net	<u>\$ 14,284,318</u>	<u>\$ 7,702,278</u>	<u>\$ ...</u>	<u>\$ 21,986,596</u>
Business-type activities capital assets, net	<u>\$ 23,719,829</u>	<u>\$ 7,977,284</u>	<u>\$ 8,253,636</u>	<u>\$ 23,443,477</u>

5. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 147,642
Public safety	82,211
Highways and public improvements	855,440
Parks and recreation	132,492
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>43,775</u>
Total depreciation expense - governmental activities	<u>\$ 1,261,560</u>
Business-type Activities:	
Water and sewer	\$ 839,196
Electric	159,516
Swimming pool	109,118
Price Community Center	<u>16,180</u>
Total depreciation expense - business-type activities	<u>\$ 1,124,010</u>
Total depreciation expense	<u><u>\$ 2,385,570</u></u>

6. **PENSION PLANS**

**Cost Sharing Defined Benefit Pension Plans**

**Plan Description** – The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

6. **PENSION PLANS (Continued)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State 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 (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage, and Firefighters Retirement System, which is for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary and the City is required to contribute 5.61% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 9.62% of their annual covered salary. In the Public Safety Contributory Retirement System, members are required to make contributions in the amount of 12.29% and the City is required to contribute 4.52% of members' salaries. In the Public Safety Noncontributory Retirement System, the City is required to contribute 16.24% of members' salaries. In the Firefighter Retirement System for employers with Social Security coverage, plan members are required to contribute 8.21% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2004, 2003 and 2002 were \$14,030.93, \$12,351.53, and \$11,464.18, respectively; for the Noncontributory Retirement System, the contributions for June 30, 2004, 2003 and 2002 were \$191,528.65, \$163,157.75, and \$140,821.30, respectively; for the Public Safety Contributory Retirement System, the contributions for June 30, 2004, 2003, and 2002 were \$14,468.98, \$17,111.73, and \$22,770.39, respectively; for the Public Safety Noncontributory Retirement System, the contributions for June 30, 2004, 2003 and 2002 were \$88,776.15, \$67,464.51, and \$60,990.08, respectively; and for the Firefighters Retirement System, the contributions for June 30, 2004, 2003 and 2002 were \$4,193.74, \$3,820.20, and \$3,150.56, respectively. The contributions were equal to the required contributions for each year.

The City also sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k), which is administered by the Utah Retirement Systems. The plan covers all full-time City employees who participate in the State's contributory and non-contributory retirement plans. Participants are fully vested in employer and employee contributions.

**6. PENSION PLANS (Continued)**

The City's contribution rates are determined by resolution of the City. The City's total payroll in the fiscal year ended June 30, 2004 was \$3,279,602. The City's contributions for the year ended June 30, 2004 were calculated using the total participants' salary amount of \$3,027,762. The required contributions were made which amounted to \$141,652 for the year ended June 30, 2004. Participants may make tax deferred contributions through a salary reduction agreement up to a maximum of \$13,000. The participants' contributions for the year ended June 30, 2004 totaled \$114,673 or approximately 3.79% of the total participants' salary.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$10,398 for the year ended June 30, 2004. The assets of the plan are administered and held by the Utah Retirement Systems and a third-party administrator.

**7. LONG-TERM DEBT**

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 19,000	\$ 1,964	\$ 20,964			
2006	19,000	1,394	20,394	\$ 429,000	\$ 185,557	\$ 614,557
2007	20,000	824	20,824	437,000	177,926	614,926
2008	7,478	224	7,702	445,000	170,100	615,100
2009				453,000	162,092	615,092
2010-2014				2,392,000	683,189	3,075,189
2014-2019				2,497,000	450,976	2,947,976
2020-2024				2,092,615	196,799	2,289,414
2025-2029				1,230,000	54,274	1,284,274
	<u>\$ 65,478</u>	<u>\$ 4,406</u>	<u>\$ 69,884</u>	<u>\$9,975,615</u>	<u>\$2,080,913</u>	<u>\$12,056,528</u>

7. **LONG-TERM DEBT (Continued)**

Revenue Bonds – Revenue bonds payable at June 30, 2004, with their outstanding balances, are comprised of the following individual issues:

Governmental Activities:

\$184,000 Storm Drain Revenue Bonds, Series 1997, due in annual principal installments of \$16,000 to \$22,000, beginning October 1, 1999 through October 1, 2007, interest of 3.00% per annum. \$ 65,478

Business-type Activities:

\$1,250,000 Water & Sewer Revenue Bonds, Series 1995A, due in annual principal installments of \$61,000 to \$64,000, beginning July 1, 1997, through July 1, 2016, interest of 0.29% per annum. \$ 758,000

\$2,997,615 Water & Sewer Revenue Bonds, Series 1995B, due in annual principal installments of \$93,000 to \$169,615, beginning July 1, 1997, through July 1, 2021, interest of 3.00% per annum. 2,266,615

\$2,885,000 Water & Sewer Revenue Bonds, Series 2002A, due in annual principal installments of \$96,000 to \$137,000, beginning July 1, 2004, through July 1, 2028, interest of 1.5% per annum. 2,789,000

\$1,900,000 Water & Sewer Revenue Bonds, Series 2002B, due in annual principal installments of \$75,000 to \$118,000, beginning July 1, 2003, through July 1, 2022, interest of 2.47% per annum. 1,749,000

\$1,250,000 Water & Sewer Revenue Bonds, Series 2002C, due in annual principal installments of \$37,000 to \$67,000, beginning August 1, 2004, through August 1, 2028, interest of 2.50% per annum. 1,213,000

\$1,250,000 Water & Sewer Revenue Bonds, Series 2002D, due in annual principal installments of \$50,000, beginning July 1, 2004, through July 1, 2028 at a zero percent interest rate. 1,200,000

Total \$ 9,975,615

7. **LONG-TERM DEBT (Continued)**

Revenue bonds issued for governmental activities were used to improve storm drainage systems within the city. All revenue bonds issued for business-type activities were used for the construction, repair, and maintenance of water and sewer lines within the city.

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds - CIB	\$ 83,478		\$ (18,000)	\$ 65,478	\$ 19,000
Capital leases	314,498		(159,349)	155,149	140,862
Compensated absences	168,101	\$ 113,602		281,703	
Governmental activity long-term liabilities	<u>\$ 566,077</u>	<u>\$ 113,602</u>	<u>\$ (177,349)</u>	<u>\$ 502,330</u>	<u>\$ 159,862</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$10,502,615		\$ (527,000)	\$ 9,975,615	
Capital leases	178,932		(114,476)	64,456	\$ 38,699
Compensated absences	23,237	\$ 3,879		27,116	
Business-type activity long-term liabilities	<u>\$10,704,784</u>	<u>\$ 3,879</u>	<u>\$ (641,476)</u>	<u>\$ 10,067,187</u>	<u>\$ 38,699</u>

8. **CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of trucks for the Parks Department, construction equipment for the Streets Department, and a fire truck. The City has also financed the acquisition of a pick-up truck and backhoe for the Water and Sewer Fund.

**8. CAPITAL LEASES (Continued)**

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Auto equipment	<u>\$ 539,970</u>	<u>\$ 153,902</u>
Total assets	\$ 539,970	\$ 153,902
Less: Accumulated depreciation	<u>186,475</u>	<u>35,009</u>
Net assets	<u><u>\$ 353,495</u></u>	<u><u>\$ 118,893</u></u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2004, are as follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2005	\$ 147,412	\$ 41,237
2006	<u>14,932</u>	<u>26,840</u>
Total minimum lease payments	\$ 162,344	\$ 68,077
Less: amount representing interest	<u>(7,195)</u>	<u>(3,621)</u>
Present value of minimum lease payments	<u><u>\$ 155,149</u></u>	<u><u>\$ 64,456</u></u>

**9. CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has several pending lawsuits and notice of claims filed by different individuals and entities. The information presented by attorneys indicated that most of the outcomes of lawsuits are undeterminable at the date of audit, but the City is aggressively fighting these claims.

**10. REDEVELOPMENT AGENCY**

During the year ended June 30, 2004, the tax increment collected by the Price City Redevelopment Agency was \$103,998 for the downtown redevelopment project area and \$117,208 for the East Price project area. The Redevelopment Agency did not pay any of the tax increment to any taxing agency or unit. Currently, the Redevelopment Agency has no outstanding bonds or loans.

During the fiscal year ended June 30, 2004, the Redevelopment Agency did not acquire any property, but did make the following site improvements:

<u>Project</u>	<u>Amount</u>
West Visitor Park	\$ 6,986
Downtown Improvements	7,347
Revitalization Project	20,804
Restoration Project	33,072
East Price Projects	115,503

The Redevelopment Agency also incurred administrative expenditures in the amount of \$30,235 for the downtown project area and \$44,098 for the East Price project area. During the year, the Redevelopment Agency transferred \$39,247 out of the East Price project area to the Electric Fund. The funds were used for engineering services to evaluate the East Price electrical system, which the City is in the process of purchasing. The Redevelopment Agency did not incur expenditures for the installation of public utilities or other public improvements.

**11. PROPERTY TAX CALENDAR**

The City adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of July 1. The taxes are payable to the city treasurer by the end of November and are remitted to the City by the county treasurer as collected.

**12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City issued revenue bonds in the Water and Sewer Fund for the purpose of constructing storage and distributions systems for culinary water. Both the Water and Sewer departments are accounted for in a single fund. The City also operates an Electric Fund, which provides electrical power to residents of the city. During the year, the Electric fund made a material transfer of funds to the General Fund.

In addition, the City operates two other enterprise funds, the Pool Fund and the Price Community Center Fund. The Pool Fund records the transactions associated with the operation of the Desert Wave Pool. The Price Community Center Fund consists of a commercial building, which is rented to governmental agencies and commercial enterprises. Segment information is reported for these two funds due to material operating transfers into the funds or because of material enterprise fund operating income or loss.

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	Electric Fund	Water and Sewer Fund	Pool Fund	Price Community Center
<b>Assets:</b>				
Current assets	\$ 948,999	\$ 3,407,087	\$ 227,189	\$ 71,456
Capital assets	3,721,676	17,658,399	1,760,911	302,491
Total assets	<u>\$ 4,670,675</u>	<u>\$ 21,065,486</u>	<u>\$ 1,988,100</u>	<u>\$ 373,947</u>
<b>Liabilities:</b>				
Current liabilities	\$ 242,034	\$ 392,436	\$ 149,136	\$ 1,432
Noncurrent liabilities	197,765	10,021,976		
Total liabilities	<u>\$ 439,799</u>	<u>\$ 10,414,412</u>	<u>\$ 149,136</u>	<u>\$ 1,432</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	\$ 3,721,676	\$ 7,617,651	\$ 1,760,911	\$ 302,491
Restricted		2,137,257		
Unrestricted	509,200	896,166	78,053	70,024
Total net assets	<u>\$ 4,230,876</u>	<u>\$ 10,651,074</u>	<u>\$ 1,838,964</u>	<u>\$ 372,515</u>
<b>Capital assets:</b>				
Additions	\$ 97,984	\$ 690,424	\$ 73,700	
Retirements	34,618	14,450		

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

**CONDENSED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

	Electric Fund	Water and Sewer Fund	Pool Fund	Price Community Center
Operating revenues	\$ 4,080,505	\$ 2,892,017	\$ 160,811	\$ 16,903
Depreciation expense	(159,516)	(839,196)	(109,118)	(16,180)
Other operating expenses	(2,720,033)	(1,918,338)	(444,429)	(20,993)
Operating income	<u>\$ 1,200,956</u>	<u>\$ 134,483</u>	<u>\$ (392,736)</u>	<u>\$ (20,270)</u>
Nonoperating revenue (expenses):				
Investment earnings	\$ 4,425	\$ 73,772		
Interest expense and fiscal charges		(197,984)	\$ (752)	
Grants				
Gain (loss) on disposition of fixed assets		(170)		
Total nonoperating revenue (expenses)	<u>\$ 4,425</u>	<u>\$ (124,382)</u>	<u>\$ (752)</u>	<u>\$ ...</u>
Transfers:				
Transfers in			\$ 342,600	\$ 10,500
Transfers out	\$ (1,201,250)	\$ (184,836)		
Total transfers	<u>\$ (1,201,250)</u>	<u>\$ (184,836)</u>	<u>\$ 342,600</u>	<u>\$ 10,500</u>
Change in net assets	\$ 4,131	\$ (174,735)	\$ (50,888)	\$ (9,770)
Beginning net assets	<u>4,226,745</u>	<u>10,825,809</u>	<u>1,889,652</u>	<u>382,285</u>
Ending net assets	<u><u>\$ 4,230,876</u></u>	<u><u>\$ 10,651,074</u></u>	<u><u>\$ 1,838,764</u></u>	<u><u>\$ 372,515</u></u>

12. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Electric Fund	Water and Sewer Fund	Pool Fund	Price Community Center
Operating revenues:				
Charges for services	\$ 4,080,505	\$ 2,892,017	\$ 160,811	\$ 16,903
Depreciation expense	(159,516)	(839,196)	(109,118)	(16,180)
Operating income (loss)	1,200,956	134,483	(392,736)	(20,270)
Operating transfers in			342,600	10,500
Operating transfers out	(1,201,250)	(184,836)		
Net income (loss)	4,131	(174,735)	(50,888)	(9,770)
Property, plant, and equipment:				
Additions	97,984	690,424	73,700	
Deletions	34,618	14,450		
Net working capital	706,965	3,014,651	78,053	70,024
Total assets	4,670,675	21,065,486	1,988,100	373,947
Bonds payable		9,975,615		
Capital leases payable		64,456		
Total equity	4,230,876	10,651,074	1,838,964	372,515

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:				
Operating activities	\$ 842,859	\$ 1,434,774	\$ (228,457)	\$ (4,702)
Noncapital financing activities	(184,836)	(1,201,250)	342,600	10,500
Capital and related financing activities	(1,482,695)	(97,985)	(107,361)	
Investing activities	73,772	4,425		
Net increase (decrease)	\$ (750,900)	\$ 139,964	\$ 6,782	\$ 5,798
Beginning cash and cash equivalents	3,731,379	551,128	219,137	64,533
Ending cash and cash equivalents	<u>\$ 2,980,479</u>	<u>\$ 691,092</u>	<u>\$ 225,919</u>	<u>\$ 70,331</u>

13. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City pays a monthly premium to Utah Local Governments Trust for its health insurance coverage. The City is insured through commercial companies for its general liability coverage. At June 30, 2004, the City had no claims or judgments filed against it related to the risks mentioned above.

14. **RELATED PARTY TRANSACTIONS**

Joe Piccolo, Mayor, owns three automotive businesses in Price. During the fiscal year ended June 30, 2004, the City made payments to these businesses in the amount of \$5,076 for goods and services.

Richard Tatton, City Councilman, owns and operates an independent insurance company. During the year ended June 30, 2004, the City made payments to the company in the amount of \$1,346 for services. In addition, the City paid \$228,992 directly to the agencies through which it is insured for fidelity bonds, general liability insurance, and deductibles.

Stephen Denison, City Councilman, owns and operates a restaurant within the city limits. During the year ended June 30, 2004, the City made payments to the restaurant in the amount of \$60 for goods.

A fireman with the Price City Fire Department owns and operates a landscaping business. During the year ended June 30, 2004, the City made payments to the business in the amount of \$4,300 for services.

During the year ended June 30, 2004, the Mayor's son received a \$10,000 loan through the Price City Economic Vitality Fund to open a business in Price. The loan application was approved by the Loan Committee and by the City Council. The Mayor removed himself from the loan review and approval process.

15. **RECEIVABLES**

Receivables as of June 30, 2004 for the City's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

15. **RECEIVABLES (Continued)**

	<u>GENERAL FUND</u>	<u>WATER AND SEWER FUND</u>	<u>ELECTRIC FUND</u>	<u>NONMAJOR AND OTHER FUNDS</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 689,224				\$ 689,224
Accounts		\$ 237,732	\$ 243,642		481,374
Miscellaneous	<u>37,290</u>	<u>197,844</u>	<u>18,837</u>	\$ 39,423	<u>293,394</u>
Gross receivables	\$ 726,514	\$ 435,576	\$ 262,479	\$ 39,423	\$ 1,463,992
Less: allowance for uncollectible accounts		<u>(8,968)</u>	<u>(4,572)</u>		<u>(13,540)</u>
Net receivables	<u>\$ 726,514</u>	<u>\$ 426,608</u>	<u>\$ 257,907</u>	<u>\$ 39,423</u>	<u>\$ 1,450,452</u>

16. **INTERFUND BALANCES AND TRANSFERS**

Internal Balances – Included in internal balances on the financial statements are individual fund receivables and payable balances at June 30, 2004 as follows:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Capital Improvements Fund	\$ 60,000	
Pool Fund		\$ 60,000
Internal balance - Business-type activities	32,353	
Internal balance - Governmental activities		<u>32,353</u>
Total internal balances	<u>\$ 92,353</u>	<u>\$ 92,353</u>

**16. INTERFUND BALANCES AND TRANSFERS (Continued)**

Transfers – Interfund transfers during the year ended June 30, 2004 were as follows:

TRANSFERS IN	TRANSFERS OUT			TOTAL
	GENERAL FUND	ELECTRIC FUND	WATER AND SEWER FUND	
General Fund		\$ 1,201,250	\$ 184,836	\$ 1,386,086
Other Governmental				
Drug Task Force	\$ 67,050			67,050
Library	276,950			276,950
Capital Projects	72,000			72,000
Pool Fund	342,600			342,600
Enterprise				
Price Community Center	10,500			10,500
Totals	<u>\$ 769,100</u>	<u>\$ 1,201,250</u>	<u>\$ 184,836</u>	<u>\$ 2,155,186</u>

**17. SUBSEQUENT EVENTS**

On September 8, 2004, the City approved Resolution Number 2004-22 Taxable Sales Tax Revenue Bonds, Series 2004, in the amount of \$150,000. The proceeds of the bonds will be used to renovate and improve existing buildings to house administrative offices and programs, and to pay for the bond issuance costs. The bonds bear a zero percent interest rate and mature on April 1, 2015.

On October 27, 2004, the City approved Resolution Number 2004-24 Taxable Electric Revenue Bonds, Series 2004, in the amount of \$600,000. The proceeds of the bonds will be used for the acquisition and improvement of the East Price Electrical System, and to pay for the bond issuance costs. The bonds bear a 5.95 percent interest rate and mature on November 1, 2012.

On October 27, 2004, the City approved a lease purchase agreement in the amount of \$75,000. The lease revenue will be used for the acquisition and installation of a pool facilities ozone generation system. The lease bears a 3.30 percent interest rate and the final payment is due on November 30, 2008.

**18. OTHER POSTEMPLOYMENT BENEFITS**

The City provides postretirement health and dental care benefits, as per the requirements of a local policy, for certain retirees and their dependents; only retirees hired before July 1, 1997 are eligible to participate. Employees on disability, as defined by the Utah State Retirement Systems, or Federal Social Security System, are also eligible to participate.

The City pays 100 percent of the premiums of health and dental care coverage, as provided by the City's benefit policy then in force, for employees who retire with 20 years of full-time service and who are age 62 or older. The City's regular health and dental care benefit providers underwrite the retiree's policies until they reach 65 year of age; coverage provided is under COBRA. At 65, the City pays the Medicare supplement for the retirees and their dependents, which includes medical coverage only. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of June 30, 2004, there were 3 employees receiving COBRA insurance coverage; one with family coverage and 2 with two-party coverage. During the year, the City paid the Medicare supplement for 12 employees, of which 6 had dependents. The City finances the plan on a pay-as-you-go basis. For the year ended June 30, 2004, the City paid \$86,778 for these benefits.

**19. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the City's Government-wide Financial Statements in the amount of \$19,543. This adjustment was necessary to correct an error in how the accumulated effect of crossover amounts, arising from the City's internal service fund, had been handled in the financial statements in prior years.

**PRICE MUNICIPAL CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property taxes	\$ 820,000	\$ 827,700	\$ 751,937	\$ (75,763)
General sales and use tax	1,566,000	1,666,000	1,801,592	135,592
Franchise tax	255,500	459,500	427,508	(31,992)
Transient room tax	46,000	46,000	39,697	(6,303)
Cell phone tax	30,000	36,000	43,946	7,946
Municipal energy tax		8,200	10,686	2,486
Highway tax	500,000	515,000	535,080	20,080
Licenses and permits	146,400	147,600	149,259	1,659
Intergovernmental	394,000	422,400	445,603	23,203
Charges for services	377,200	392,800	400,160	7,360
Fines and forfeitures	89,000	78,100	82,894	4,794
Investment earnings	7,500	7,500	13,458	5,958
Contributions		8,100	8,870	770
Miscellaneous revenue	18,200	57,300	38,979	(18,321)
<b>Total revenues</b>	<b>\$ 4,249,800</b>	<b>\$ 4,672,200</b>	<b>\$ 4,749,669</b>	<b>\$ 77,469</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative	\$ 112,350	\$ 137,300	\$ 136,583	\$ 717
Administration	328,250	317,000	311,612	5,388
Finance	219,400	210,650	209,519	1,131
Treasurer	163,500	156,350	154,096	2,254
Attorney	100,900	102,900	97,612	5,288
Non-departmental	468,350	463,200	444,214	18,986
Building maintenance	336,300	320,000	290,743	29,257
Planning	90,200	89,300	87,883	1,417
Community progress	9,750	9,750	8,252	1,498
Elections	5,800	7,550	7,506	44
Safety committee	4,300	3,500	2,916	584
<b>Total general government</b>	<b>\$ 1,839,100</b>	<b>\$ 1,817,500</b>	<b>\$ 1,750,936</b>	<b>\$ 66,564</b>
<b>Public safety:</b>				
Police	\$ 1,111,000	\$ 1,092,400	\$ 1,070,604	\$ 21,796
Fire	313,300	327,800	321,341	6,459
Inspection	102,700	104,350	102,951	1,399
Special functions	73,200	70,800	68,072	2,728
Alcohol law enforcement	61,300	60,400	59,398	1,002
<b>Total public safety</b>	<b>\$ 1,661,500</b>	<b>\$ 1,655,750</b>	<b>\$ 1,622,366</b>	<b>\$ 33,384</b>

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		(UNFAVORABLE)
Highways and public improvements:				
Highways - general	\$ 407,300	\$ 404,600	\$ 374,499	\$ 30,101
Public improvements	231,200	222,500	198,634	23,866
Class "C" roads	340,000	340,000	245,133	94,867
Shop	174,500	172,000	165,429	6,571
Engineering	83,300	83,300	80,470	2,830
Irrigation water system	23,100	21,300	19,893	1,407
Public works administration	194,400	195,300	193,722	1,578
Sanitation	271,000	271,000	268,003	2,997
Total highways and public improvements	\$ 1,724,800	\$ 1,710,000	\$ 1,545,783	\$ 164,217
Parks, recreation, and public property:				
Parks	\$ 318,600	\$ 307,300	\$ 289,630	\$ 17,670
Cemetery	256,100	255,600	253,495	2,105
Total parks, recreation and public property	\$ 574,700	\$ 562,900	\$ 543,125	\$ 19,775
Economic development:				
Economic development	\$ 8,100	\$ 27,750	\$ 27,694	\$ 56
Total economic development	\$ 8,100	\$ 27,750	\$ 27,694	\$ 56
Intergovernmental expenditures:				
Contributions to other governmental units	\$ 59,600	\$ 61,100	\$ 61,100	
Total intergovernmental expenditures	\$ 59,600	\$ 61,100	\$ 61,100	\$ ...
Debt service:				
Principal retirement	\$ 180,000	\$ 177,500	\$ 177,349	\$ 151
Interest and fiscal charges	15,800	15,800	15,590	210
Total debt service	\$ 195,800	\$ 193,300	\$ 192,939	\$ 361
Total expenditures	\$ 6,063,600	\$ 6,028,300	\$ 5,743,943	\$ 284,357
Excess of revenue over (under) expenditures	\$ (1,813,800)	\$ (1,356,100)	\$ (994,274)	\$ 361,826
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 2,535,000	\$ 1,414,964	\$ 1,386,086	\$ (28,878)
Transfers out	(1,026,150)	(769,100)	(769,100)	
Total other financing sources (uses)	\$ 1,508,850	\$ 645,864	\$ 616,986	\$ (28,878)

PRICE MUNICIPAL CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess of revenues and other sources over (under) expenditures and other uses	\$ (304,950)	\$ (710,236)	\$ (377,288)	\$ 332,948
Fund balances - beginning of year	<u>1,285,129</u>	<u>1,285,129</u>	<u>1,285,129</u>	
Fund balances - end of year	<u>\$ 980,179</u>	<u>\$ 574,893</u>	<u>\$ 907,841</u>	<u>\$ 332,948</u>

PRICE MUNICIPAL CORPORATION  
 COMBINING BALANCE SHEET -  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS			TOTAL NON-MAJOR GOVERNMENTAL FUNDS
	DRUG TASK FORCE	PRICE CITY ECONOMIC VITALITY	REDEVELOP- MENT AGENCY	CAPITAL PROJECT MAIN STREET	CDBG IMPROVEMENTS	CAPITAL IMPROVE- MENTS	
\$ (8,476)	\$ 28,202	\$ 93,041	\$ 3,203	\$ 8,816	\$ 1,556	\$ 392,186	\$ 518,528
27,835						60,000	27,835
	8,250	20,303					60,000
16,610	152						8,250
\$ 35,969	\$ 36,604	\$ 113,244	\$ 3,203	\$ 8,816	\$ 1,556	\$ 452,186	\$ 651,578

ASSETS

Cash and cash equivalents  
 Investments - restricted  
 Due from other funds  
 Due from other governments  
 Accounts receivable - miscellaneous

Total assets

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable  
 Accrued liabilities

Total liabilities

\$ 521	\$ 1,409	\$ 25	\$ 25	\$	\$	\$ 21,052	\$ 23,032
395	1,063						1,458
\$ 916	\$ 2,472	\$ 25	\$ 25	\$	\$	\$ 21,052	\$ 24,490

Fund balances:

Unreserved, reported in:  
 Special revenue funds  
 Capital project funds

Total fund balances

\$ 35,053	\$ 34,132	\$ 113,219	\$ 3,178	\$ 8,816	\$ 1,556	\$ 431,134	\$ 185,582
							441,506
\$ 35,053	\$ 34,132	\$ 113,219	\$ 3,178	\$ 8,816	\$ 1,556	\$ 431,134	\$ 627,088
\$ 35,969	\$ 36,604	\$ 113,244	\$ 3,203	\$ 8,816	\$ 1,556	\$ 452,186	\$ 651,578

Total liabilities and fund balance

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	DRUG TASK FORCE	LIBRARY	REDEVELOP- MENT AGENCY	PRICE CITY ECONOMIC VITALITY	CAPITAL PROJECTS MAIN STREET	CDBG IMPROVE- MENTS	CAPITAL IMPROVE- MENTS		
<b>REVENUES:</b>									
Taxes			\$ 221,206						\$ 221,206
Intergovernmental revenue	\$ 79,577	\$ 12,667				\$ 20,000			124,244
Charges for services		10,910		\$ 1,410					12,320
Fines and forfeitures	1,850								1,850
Investment earnings	408	805		534					1,747
<b>Total revenues</b>	<b>\$ 81,835</b>	<b>\$ 24,382</b>	<b>\$ 221,206</b>	<b>\$ 1,944</b>	<b>\$ .....</b>	<b>\$ 20,000</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ 361,367</b>
<b>EXPENDITURES:</b>									
Public safety	\$ 154,749								\$ 154,749
Highways and public improvements			\$ 258,043						258,043
Parks, recreation, and public property		\$ 365,950		\$ 225					365,950
Economic development									225
Capital outlay						12,568			12,568
<b>Total expenditures</b>	<b>\$ 154,749</b>	<b>\$ 365,950</b>	<b>\$ 258,043</b>	<b>\$ 225</b>	<b>\$ .....</b>	<b>\$ 12,568</b>	<b>\$ 115,858</b>	<b>\$ .....</b>	<b>\$ 907,393</b>
Excess of revenues over (under) expenditures	\$ (72,914)	\$ (341,568)	\$ (36,837)	\$ 1,719	\$ .....	\$ (568)	\$ (95,858)	\$ .....	\$ (546,026)
Other financing sources (uses):									
Transfers in	\$ 67,050	\$ 276,950					\$ 72,000		\$ 416,000
<b>Total other financing sources (uses)</b>	<b>\$ 67,050</b>	<b>\$ 276,950</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ .....</b>	<b>\$ 72,000</b>	<b>\$ .....</b>	<b>\$ 416,000</b>
Excess of revenues and other sources over (under) expenditures and other uses	\$ (5,864)	\$ (64,618)	\$ (36,837)	\$ 1,719	\$ .....	\$ (568)	\$ (23,858)	\$ .....	\$ (130,026)
<b>Fund Balances - Beginning of year</b>	<b>40,917</b>	<b>98,750</b>	<b>40,015</b>	<b>111,500</b>	<b>\$ 8,816</b>	<b>2,124</b>	<b>454,992</b>	<b>\$ .....</b>	<b>757,114</b>
<b>Fund Balances - End of year</b>	<b>\$ 35,053</b>	<b>\$ 34,132</b>	<b>\$ 3,178</b>	<b>\$ 113,219</b>	<b>\$ 8,816</b>	<b>\$ 1,556</b>	<b>\$ 431,134</b>	<b>\$ .....</b>	<b>\$ 627,088</b>

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	POOL FUND	PRICE COMMUNITY CENTER	TOTAL NONMAJOR BTA'S
<u>ASSETS</u>			
Current assets:			
Cash	\$ 225,919	\$ 70,331	\$ 296,250
Receivables - net miscellaneous	1,270	1,125	2,395
	\$ 227,189	\$ 71,456	\$ 298,645
Noncurrent assets:			
Equipment, buildings and improvements	\$ 2,775,175	\$ 688,081	\$ 3,463,256
Less: Accumulated depreciation	(1,014,264)	(385,590)	(1,399,854)
	\$ 1,760,911	\$ 302,491	\$ 2,063,402
	\$ 1,988,100	\$ 373,947	\$ 2,362,047
<u>LIABILITIES</u>			
Current liabilities:			
Vouchers payable	\$ 79,894	\$ 1,432	\$ 81,326
Accrued liabilities	6,146		6,146
Sales tax payable	3,096		3,096
Due to other funds	60,000		60,000
	\$ 149,136	\$ 1,432	\$ 150,568
Noncurrent liabilities:			
	\$ ...	\$ ...	\$ ...
	\$ 149,136	\$ 1,432	\$ 150,568
Net Assets:			
Invested in capital assets, net of related debt	\$ 1,760,911	\$ 302,491	\$ 2,063,402
Unrestricted	78,053	70,024	148,077
	\$ 1,838,964	\$ 372,515	\$ 2,211,479

**PRICE MUNICIPAL CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND NET ASSETS -**  
**NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	NON-MAJOR BTA'S - ENTERPRISE FUNDS		
	POOL FUND	PRICE COMMUNITY CENTER	TOTAL NONMAJOR BTA'S
Operating revenues:			
Charges for sales and services	\$ 160,811	\$ 16,903	\$ 177,714
Total operating revenues	<u>\$ 160,811</u>	<u>\$ 16,903</u>	<u>\$ 177,714</u>
Operating expenses:			
Employee salaries	\$ 180,030		\$ 180,030
Employee benefits	53,145		53,145
Contractual services	5,820		5,820
Supplies	54,600		54,600
Utilities	104,332	\$ 20,280	124,612
Fuel and oil	649		649
Repairs and maintenance	37,697	713	38,410
Depreciation	109,118	16,180	125,298
Advertising	7,526		7,526
Rental	630		630
Total operating expenses	<u>\$ 553,547</u>	<u>\$ 37,173</u>	<u>\$ 590,720</u>
OPERATING INCOME (LOSS)	<u>\$ (392,736)</u>	<u>\$ (20,270)</u>	<u>\$ (413,006)</u>
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	\$ (752)		\$ (752)
Total nonoperating revenues (expenses)	<u>\$ (752)</u>	<u>\$ ...</u>	<u>\$ (752)</u>
Income (loss) before transfers	<u>\$ (393,488)</u>	<u>\$ (20,270)</u>	<u>\$ (413,758)</u>
Transfers In (Out):			
Transfers in	\$ 342,600	\$ 10,500	\$ 353,100
Change in net assets	\$ (50,888)	\$ (9,770)	\$ (60,658)
Total net assets - beginning of year	<u>1,889,652</u>	<u>382,285</u>	<u>2,271,937</u>
Total net assets - end of year	<u>\$ 1,838,764</u>	<u>\$ 372,515</u>	<u>\$ 2,211,279</u>