

Moab City
Grand County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2010

Moab City
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June 30, 2010

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LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 14, 2010

Honorable Mayor
Members of the City Council
City of Moab, Utah

Mayor and Council Members:

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 the City of Moab, as of and for the year ended June 30, 2010, which collectively comprise the City of Moab's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Moab's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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The Management's Discussion and Analysis on pages 3 through 11, and the budgetary comparison for the general fund, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2010, on our consideration of the City of Moab's internal control over financial reporting and on 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.

Larson & Rosenberger, LLP
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Moab City
Management's Discussion and Analysis
June 30, 2010

As management of Moab City (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- *Total net assets for the City as a whole increased by \$2,487,352.
- *Total unrestricted net assets for the City as a whole increased by \$4,115,001.
- *Total net assets for governmental activities increased by \$2,333,701.
- *Total net assets for business-type activities increased by \$153,651.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Moab City. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Moab City
Management's Discussion and Analysis
June 30, 2010

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major governmental funds, the general fund and the capital projects fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for the operations of the water, sewer, and storm drain utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

Moab City
Management's Discussion and Analysis
June 30, 2010

FINANCIAL ANALYSIS

Moab City's Net Assets

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 7,777,846	3,225,445	4,038,782	3,724,637	11,816,627	6,950,082
Net capital assets	13,414,075	10,593,800	6,723,979	6,896,381	20,138,054	17,490,181
Total assets	<u>21,191,921</u>	<u>13,819,245</u>	<u>10,762,761</u>	<u>10,621,018</u>	<u>31,954,682</u>	<u>24,440,263</u>
Long-term liabilities	6,958,477	2,363,333	-	36,481	6,958,477	2,399,814
Other liabilities	1,371,213	927,381	73,926	49,354	1,445,139	976,735
Total liabilities	<u>8,329,689</u>	<u>3,290,715</u>	<u>73,926</u>	<u>85,835</u>	<u>8,403,615</u>	<u>3,376,549</u>
Net assets:						
Capital assets, net of debt	6,455,599	8,230,467	6,723,979	6,859,901	13,179,578	15,090,368
Restricted	456,694	173,553	2,039,710	2,039,710	2,496,404	2,213,263
Unrestricted	5,949,939	2,124,511	1,925,146	1,635,573	7,875,085	3,760,084
Total net assets	<u>\$ 12,862,232</u>	<u>10,528,531</u>	<u>10,688,835</u>	<u>10,535,184</u>	<u>23,551,066</u>	<u>21,063,714</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$23,551,066, an increase of \$2,487,352 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$7,875,085, which represents an increase of \$4,115,001 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Moab City
Management's Discussion and Analysis
June 30, 2010

FINANCIAL ANALYSIS (continued)

Moab City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	1,382,723	1,240,286	1,366,830	1,386,480	2,749,553	2,626,766
Operating grants	193,933	244,964	-	-	193,933	244,964
Capital grants	1,930,756	130,172	390,363	57,679	2,321,119	187,851
General revenues:						
Sales tax	1,303,089	1,454,430	-	-	1,303,089	1,454,430
Other taxes	3,679,557	3,683,646	-	-	3,679,557	3,683,646
Unrestricted investment earnings	87,537	103,178	12,098	55,217	99,635	158,395
Other revenues	236,313	167,030	-	93,105	236,313	260,135
Gain on sale of fixed assets	2,875	8,024	-	-	2,875	8,024
Total revenues	<u>8,816,783</u>	<u>7,031,731</u>	<u>1,769,291</u>	<u>1,592,481</u>	<u>10,586,074</u>	<u>8,624,212</u>
Expenses:						
General government	1,773,938	1,799,849	-	-	1,773,938	1,799,849
Public safety	1,832,365	1,976,923	-	-	1,832,365	1,976,923
Highways and improvements	2,156,643	2,202,589	-	-	2,156,643	2,202,589
Parks and recreation	998,264	1,177,536	-	-	998,264	1,177,536
Interest on long-term debt	66,372	102,690	-	-	66,372	102,690
Water and sewer	-	-	1,009,327	958,013	1,009,327	958,013
Storm drain	-	-	261,813	641	261,813	641
Total expenses	<u>6,827,582</u>	<u>7,259,587</u>	<u>1,271,140</u>	<u>958,654</u>	<u>8,098,722</u>	<u>8,218,241</u>
Excess (deficiency) before transfers	<u>1,989,201</u>	<u>(227,856)</u>	<u>498,151</u>	<u>633,827</u>	<u>2,487,352</u>	<u>405,971</u>
Transfers in (out)	344,500	(455,500)	(344,500)	455,500	-	-
Change in net assets	<u>2,333,701</u>	<u>(683,356)</u>	<u>153,651</u>	<u>1,089,327</u>	<u>2,487,352</u>	<u>405,971</u>

For the City as a whole, total revenues increased by \$1,961,862 compared to the previous year, while total expenses decreased by \$119,519. The total net change of \$2,487,352 is, in private sector terms, the net income for the year which is \$2,081,381 more than the previous year.

Governmental activities revenues of \$8,816,783 is an increase of \$1,785,052 from the previous year. This is primarily due to a significant increase in grants received. Governmental activities expenses of \$6,827,582 is a decrease of \$432,005 from the previous year. Spending for all departments decreased during the year.

Business-type activities revenue of \$1,769,291 is an increase of \$176,810 from the previous year. This is due to an increase in grants received during the year. Business-type activities expenses of \$1,271,140 is an increase of \$312,486 from the previous year. This is due to an overall increase in operation expenses.

Moab City
Management's Discussion and Analysis
June 30, 2010

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

General Fund

The fund balance of \$1,582,159 reflects an increase of \$655,506 from the previous year. Total revenues decreased by \$161,915. Tax revenues decreased by \$155,430. Intergovernmental revenue decreased by \$36,031. Proceeds from bonds increased by \$31,380. All other revenues decreased by \$1,834.

Total expenditures, excluding transfers out, decreased by \$458,899. Expenditure changes from the previous year, by department: general government decreased by \$37,468; public safety decreased by \$212,974; streets and highways decreased by \$146,473; and parks and recreation decreased by \$117,755. Capital outlay expenditures decreased by \$351,086. Expenditures for principal and interest increased by \$400,501 and \$6,356, respectively.

The amount restricted for Class C roads is \$165,134. The unassigned fund balance amounts to \$1,417,025.

Capital Projects Fund

The fund balance of \$5,055,560 reflects an increase of \$3,463,563 from the previous year. Total revenue, excluding transfers, increased by \$6,708,970. Of this amount, proceeds from bonds increased by \$4,764,000; intergovernmental revenues increased by \$1,780,172; and all other revenues increased by \$164,799. Expenses increased during the year by \$2,594,291. This increase is primarily due to construction on the Aquatic Center.

Water and Sewer Fund

The change in net assets (net income) was \$307,458. The amounts restricted for debt service and construction are \$36,481 and \$2,003,229, respectively. Unrestricted net assets amount to \$1,170,866.

Storm Drain Fund

The change in net assets (net loss) was \$153,807. This loss is due to repair and maintenance costs of \$261,813 to the storm drain system during the year. Unrestricted net assets amount to \$754,280.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$6,093,900. This amount was amended in the final budget to \$6,400,861. Actual revenues, excluding transfers, amounted to \$6,745,698.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$6,348,173. This amount was amended in the final budget to \$6,771,136. Actual expenditures amounted to \$6,170,958.

Net transfers for the year were budgeted for net transfers in of \$400,928. This amount was not amended during the year. Actual net transfers in were made in the amount of \$80,765.

Moab City
Management's Discussion and Analysis
June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

Moab City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and water rights	\$ 476,884	476,884	262,935	262,935	739,819	739,819
Buildings	4,290,809	4,404,485	-	-	4,290,809	4,404,485
Improvements other than buildings	1,193,220	1,298,780	-	-	1,193,220	1,298,780
Machinery and equipment	1,964,635	2,217,377	175,768	141,429	2,140,403	2,358,807
Infrastructure	2,088,078	2,196,274	-	-	2,088,078	2,196,274
Water system	-	-	2,553,231	2,672,162	2,553,231	2,672,162
Sewer system	-	-	3,670,298	3,739,499	3,670,298	3,739,499
Work in progress	3,400,449	-	61,746	80,356	3,462,195	80,356
Totals	<u>\$ 13,414,075</u>	<u>10,593,800</u>	<u>6,723,979</u>	<u>6,896,381</u>	<u>20,138,054</u>	<u>17,490,181</u>

The total amount of capital assets, net of depreciation, of \$20,138,054 is an increase of \$2,647,873 from the previous year.

Governmental activities capital assets, net of depreciation, of \$13,414,075 is an increase of \$2,820,275 from the previous year.

Business-type activities capital assets, net of depreciation, of \$6,723,979 is a decrease of \$172,402 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Moab City
Management's Discussion and Analysis
June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Moab City's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
2007 Lease Chargers (3)	\$ -	26,149
2008 Lease Vehicles	-	59,264
2008 Lease Equipment	-	207,420
2009 Equipment Lease	220,807	270,500
2010 Refinance Vehicles	269,869	-
2003 Sales Tax Revenue	1,734,000	1,800,000
2009 Sales Tax Revenue	4,764,000	-
Total governmental	6,988,676	2,363,333
Business-type activities:		
1993A BWR Water	-	3,240
1993B BWR Water	-	33,240
Total business-type	-	36,481
Total outstanding debt	\$ 6,988,676	2,399,814

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Moab City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: City Recorder, 217 East Center Street, Moab, UT 84532.

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BASIC FINANCIAL STATEMENTS

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Moab City
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,552,002	3,185,105	4,737,107
Accounts receivable, net of allowances	1,290,591	105,277	1,395,868
Other assets	6,119	-	6,119
Total current assets	2,848,712	3,290,382	6,139,094
Non-current assets:			
Restricted cash and cash equivalents	4,929,134	748,400	5,677,534
Capital assets:			
Not being depreciated	3,877,333	324,682	4,202,015
Net of accumulated depreciation	9,536,742	6,399,297	15,936,039
Total non-current assets	18,343,209	7,472,379	25,815,588
Total assets	\$ 21,191,921	10,762,761	31,954,682
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 555,138	28,325	583,463
Customer security deposits	-	6,450	6,450
Accrued interest	34,859	-	34,859
Deferred revenues	488,647	-	488,647
Revenue bonds due within one year	68,000	-	68,000
Capital leases due within one year	299,035	-	299,035
Total current liabilities	1,445,679	34,775	1,480,454
Non-current liabilities:			
Compensated absences	292,569	39,151	331,720
Revenue bonds due after one year	1,666,000	-	1,666,000
Capital leases due after one year	4,925,442	-	4,925,442
Total non-current liabilities	6,884,011	39,151	6,923,162
Total liabilities	8,329,689	73,926	8,403,615
NET ASSETS:			
Invested in capital assets, net of related debt	6,455,599	6,723,979	13,179,578
Restricted:			
Class C roads	165,134	-	165,134
Debt service	-	36,481	36,481
Construction	4,764,000	2,003,229	6,767,229
Unrestricted	1,477,499	1,925,146	3,402,645
Total net assets	12,862,232	10,688,835	23,551,066
Total liabilities and net assets	\$ 21,191,921	10,762,761	31,954,682

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

Moab City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
Administration	\$ 1,773,938	1,090,040	-	15,000	(668,898)
Public safety	1,832,365	11,779	16,309	-	(1,804,277)
Streets and highways	2,156,643	-	177,624	-	(1,979,019)
Culture and recreation	998,264	280,904	-	1,915,756	1,198,396
Interest on long-term debt	66,372	-	-	-	(66,372)
Total governmental activities	<u>6,827,582</u>	<u>1,382,723</u>	<u>193,933</u>	<u>1,930,756</u>	<u>(3,320,169)</u>
Business-type activities:					
Water & Sewer Utilities	1,009,327	1,239,324	-	390,363	620,360
Storm Drain Utility	261,813	127,506	-	-	(134,307)
Total business-type activities	<u>1,271,140</u>	<u>1,366,830</u>	<u>-</u>	<u>390,363</u>	<u>486,053</u>
Total primary government	<u>\$ 8,098,722</u>	<u>2,749,553</u>	<u>193,933</u>	<u>2,321,119</u>	<u>(2,834,116)</u>

(continued on next page)

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

Moab City
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2010

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (3,320,169)</u>	<u>486,053</u>	<u>(2,834,116)</u>
General revenues:			
Sales tax	1,303,089	-	1,303,089
Other taxes	3,679,557	-	3,679,557
Unrestricted investment earnings	87,537	12,098	99,635
Gain on sales of capital assets	2,875	-	2,875
Miscellaneous	236,313	-	236,313
Transfers in (out)	<u>344,500</u>	<u>(344,500)</u>	<u>-</u>
Total general revenues and transfers	<u>5,653,870</u>	<u>(332,402)</u>	<u>5,321,468</u>
Change in net assets	2,333,701	153,651	2,487,352
Net assets - beginning	<u>10,528,531</u>	<u>10,535,184</u>	<u>21,063,714</u>
Net assets - ending	<u><u>\$ 12,862,232</u></u>	<u><u>10,688,835</u></u>	<u><u>23,551,066</u></u>

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

Moab City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 946,251	501,600	104,151	1,552,002
Accounts receivable, net of allowances	663,812	625,758	1,021	1,290,591
Other assets	6,119	-	-	6,119
Restricted cash and cash equivalents	165,134	4,764,000	-	4,929,134
TOTAL ASSETS	<u>\$ 1,781,315</u>	<u>5,891,358</u>	<u>105,172</u>	<u>7,777,846</u>
LIABILITIES				
Accounts payable	\$ 199,157	347,150	8,831	555,138
Deferred revenues	-	488,647	-	488,647
TOTAL LIABILITIES	<u>199,157</u>	<u>835,798</u>	<u>8,831</u>	<u>1,043,785</u>
FUND BALANCES:				
Restricted for:				
Class C roads	165,134	-	-	165,134
Capital projects	-	4,764,000	-	4,764,000
Assigned for:				
Capital projects	-	291,560	-	291,560
Recreation	-	-	93,308	93,308
Youth city council	-	-	3,034	3,034
Unassigned:				
General fund	1,417,025	-	-	1,417,025
TOTAL FUND BALANCES	<u>1,582,159</u>	<u>5,055,560</u>	<u>96,341</u>	<u>6,734,060</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,781,315</u>	<u>5,891,358</u>	<u>105,172</u>	<u>7,777,846</u>

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

Moab City
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Sales	\$ 1,303,089	-	-	1,303,089
Other taxes	3,679,557	-	-	3,679,557
Licenses and permits	128,063	-	-	128,063
Intergovernmental revenues	208,933	1,850,346	65,410	2,124,689
Charges for services	941,079	135,389	129,792	1,206,260
Fines and forfeitures	48,400	-	-	48,400
Interest	12,425	75,125	(13)	87,537
Miscellaneous revenue	119,398	64,683	52,232	236,313
Total revenues	<u>6,440,943</u>	<u>2,125,543</u>	<u>247,421</u>	<u>8,813,908</u>
EXPENDITURES:				
Current:				
General government	1,467,813	-	-	1,467,813
Public safety	1,757,390	-	-	1,757,390
Highways and public improvements	1,963,622	-	-	1,963,622
Parks, recreation and public property	499,710	11,617	386,204	897,530
Capital outlay	53,219	3,430,364	-	3,483,582
Debt service:				
Principal	404,736	66,000	-	470,736
Interest	24,467	45,000	-	69,467
Total expenditures	<u>6,170,958</u>	<u>3,552,980</u>	<u>386,204</u>	<u>10,110,141</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>269,986</u>	<u>(1,427,437)</u>	<u>(138,782)</u>	<u>(1,296,233)</u>
Other Financing Sources and (Uses):				
Proceeds from sale of bonds	301,880	4,764,000	-	5,065,880
Proceeds from sale of assets	2,875	-	-	2,875
Transfers in	344,500	127,000	136,735	608,235
Transfers (out)	(263,735)	-	-	(263,735)
Total other financing sources and (uses)	<u>385,520</u>	<u>4,891,000</u>	<u>136,735</u>	<u>5,413,255</u>
Net Change in Fund Balances	655,506	3,463,563	(2,047)	4,117,022
Fund balances - beginning of year	926,653	1,591,997	98,389	2,617,039
Fund balances - end of year	<u>\$ 1,582,159</u>	<u>5,055,560</u>	<u>96,341</u>	<u>6,734,060</u>

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

Moab City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2010

Total Fund Balances for Governmental Funds	<u>\$ 6,734,060</u>
<p>Total net assets reported for governmental activities in the statement is different because:</p> <p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>	
Capital assets, at cost	17,059,268
Less accumulated depreciation	<u>(3,645,192)</u>
Net capital assets	<u>13,414,075</u>
<p>Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.</p>	
General long-term debt	<u>(6,958,477)</u>
Interest accrued but not yet paid on long-term debt	<u>(34,859)</u>
Compensated absences	<u>(292,569)</u>
Total Net Assets of Governmental Activities	<u><u>\$ 12,862,232</u></u>

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

Moab City
**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, 2010

Net Change in Fund Balances - Total Governmental Funds **\$ 4,117,022**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	3,483,582
Depreciation expense	<u>(663,307)</u>
Net	<u>2,820,275</u>

Bond proceeds are reported as financing sources in government funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

Debt issued - bonds	<u>(5,065,880)</u>
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments	<u>470,736</u>
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Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.

Change in accrued interest	<u>3,095</u>
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Change in compensated absence liability	<u>(11,548)</u>
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Change in Net Assets of Governmental Activities **\$ 2,333,701**

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

Moab City
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2010

	Water & Sewer Fund	Storm Drain Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,443,666	741,439	3,185,105
Accounts receivable, net	92,436	12,841	105,277
Total current assets	<u>2,536,102</u>	<u>754,280</u>	<u>3,290,382</u>
Non-current assets:			
Restricted cash and cash equivalents	748,400	-	748,400
Capital assets:			
Not being depreciated	324,682	-	324,682
Net of accumulated depreciation	6,399,297	-	6,399,297
Total non-current assets	<u>7,472,379</u>	<u>-</u>	<u>7,472,379</u>
Total assets	<u>\$ 10,008,481</u>	<u>754,280</u>	<u>10,762,761</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 28,325	-	28,325
Customer security deposits	6,450	-	6,450
Total current liabilities	<u>34,775</u>	<u>-</u>	<u>34,775</u>
Non-current liabilities:			
Compensated absences	39,151	-	39,151
Total non-current liabilities	<u>39,151</u>	<u>-</u>	<u>39,151</u>
Total liabilities	<u>73,926</u>	<u>-</u>	<u>73,926</u>
NET ASSETS:			
Invested in capital assets, net of related debt	6,723,979	-	6,723,979
Restricted for:			
Debt service	36,481	-	36,481
Construction	2,003,229	-	2,003,229
Unrestricted	1,170,866	754,280	1,925,146
Total net assets	<u>9,934,555</u>	<u>754,280</u>	<u>10,688,835</u>
Total liabilities and net assets	<u>\$ 10,008,481</u>	<u>754,280</u>	<u>10,762,761</u>

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

Moab City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
June 30, 2010

	Water & Sewer Fund	Storm Drain Fund	Total
Operating income:			
Charges for sales and service	\$ 1,192,120	127,506	1,319,626
Connection fees	4,875	-	4,875
Other operating income	42,329	-	42,329
Total operating revenue	<u>1,239,324</u>	<u>127,506</u>	<u>1,366,830</u>
Operating expenses:			
Personal services	245,568	-	245,568
Utilities	77,023	-	77,023
Repair & maintenance	25,819	261,813	287,632
Other supplies & expenses	312,998	-	312,998
Insurance expense	1,560	-	1,560
Depreciation expense	346,359	-	346,359
Total operating expense	<u>1,009,327</u>	<u>261,813</u>	<u>1,271,140</u>
Net operating income (loss)	<u>229,996</u>	<u>(134,307)</u>	<u>95,690</u>
Non-operating income (expense):			
Impact fees	390,363	-	390,363
Interest income	12,098	-	12,098
Total non-operating income (expense)	<u>402,461</u>	<u>-</u>	<u>402,461</u>
Income (loss) before transfers and capital contributions	<u>632,458</u>	<u>(134,307)</u>	<u>498,151</u>
Transfers (out)	325,000	19,500	344,500
Change in net assets	<u>307,458</u>	<u>(153,807)</u>	<u>153,651</u>
Net assets, beginning	9,627,097	908,086	10,535,184
Net assets, ending	<u>\$ 9,934,555</u>	<u>754,280</u>	<u>10,688,835</u>

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

Moab City
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

	Water & Sewer Fund	Storm Drain Fund	Total
Cash flows from operating activities:			
Cash received from customers - service	\$ 1,248,629	127,978	1,376,608
Cash paid to suppliers	(396,150)	(261,813)	(657,963)
Cash paid to employees	(240,496)	-	(240,496)
Net cash provided (used) in operating activities	<u>611,983</u>	<u>(133,834)</u>	<u>478,149</u>
Cash flows from noncapital financing activities:			
Change in customer deposits	(1,750)	-	(1,750)
Net interfund activity	(325,000)	(19,500)	(344,500)
Net cash provided (used) in noncapital financing activities	<u>(326,750)</u>	<u>(19,500)</u>	<u>(346,250)</u>
Cash flows from capital and related financing activities:			
Cash received from bonds issued	(3,240)	-	(3,240)
Cash received from impact fees	390,363	-	390,363
Cash payments for capital assets	(173,956)	-	(173,956)
Cash payments for long-term debt principal	(33,240)	-	(33,240)
Net cash provided (used) in capital and related financing activities	<u>179,926</u>	<u>-</u>	<u>179,926</u>
Cash flows from investing activities:			
Cash received from interest earned	12,098	-	12,098
Net cash provided (used) in investing activities	<u>12,098</u>	<u>-</u>	<u>12,098</u>
Net increase (decrease) in cash	477,257	(153,334)	323,923
Cash balance, beginning	2,714,809	894,773	3,609,582
Cash balance, ending	<u>\$ 3,192,066</u>	<u>741,439</u>	<u>3,933,505</u>
Cash reported on the balance sheet:			
Cash and cash equivalents	\$ 2,443,666	741,439	3,185,105
Non-current restricted cash	748,400	-	748,400
Total cash and cash equivalents	<u>\$ 3,192,066</u>	<u>741,439</u>	<u>3,933,505</u>

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

Moab City
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2010

**Reconciliation of Operating Income
to Net Cash Provided form Operating Activity:**

	Water & Sewer Fund	Storm Drain Fund	Total
Net operating income (expense)	\$ 229,996	(134,307)	95,690
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	346,359	-	346,359
Changes in assets and liabilities:			
(Increase) decrease in receivables	9,306	472	9,778
Increase (decrease) in payables	26,322	-	26,322
Net cash provided in operating activity	\$ 611,983	(133,834)	478,149

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

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Moab City (the City), a municipal corporation located in Grand County, Utah, operates under a Council-Manager form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental 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 reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, 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 statement.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are 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. 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.

Property taxes, sales taxes, intergovernmental revenues, and interest 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. Only the portion of special assessments, if any, receivable 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 government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

The *capital projects fund* accounts for financial resources used for the acquisition or construction of the capital facilities of the City (other than those of the enterprise funds).

The City reports the following as non-major governmental funds:

The *recreation fund* accounts for the revenues and expenditures for the activities relation to recreation.

The *youth city council fund* accounts for revenues and expenditures for activities with the youth city council.

Proprietary funds

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for the activities of water and sewer utilities.

The City reports the following non-major proprietary funds:

The *storm drain fund* is used to account for the revenues and expenditures of the storm drain utility.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-2. Cash and Cash Equivalents

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

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Sanpete County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-45
Machinery and equipment	10-15
Vehicles	5-10
Infrastructure	30

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-8. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

As of June 30, 2010, none of the City's funds have deficit fund balances.

Moab City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2010 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 650
Demand deposits - checking	1,447,000
Savings	1,104,852
Deposits - PTIF	7,862,139
Total cash	\$ 10,414,641

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$ 4,737,107
Restricted cash and cash equivalents (non-current)	5,677,534
Total cash and cash equivalents	\$ 10,414,641

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2010, \$500,000 of the City's demand and bank trust deposits are covered by FDIC insurance; \$2,049,814 is uninsured and uncollateralized; \$7,862,139 is deposited in PTIF.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Accounts not expected to be received within one year are captioned as non-current receivables. Receivables as of year end for the City's funds are shown below. All receivables are deemed collectible.

	Governmental Activities	Business-Type Activities	Total
Customers	\$ 221,719	109,736	331,455
Intergovernmental	539,440	-	539,440
Note receivable	488,647	-	488,647
Other receivables	40,784	-	40,784
Total receivables	\$ 1,290,591	109,736	1,400,327
Allowance for uncollectibles	-	(4,459)	(4,459)
Net receivables	\$ 1,290,591	105,277	1,395,868

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 476,884	-	-	476,884
Construction in progress	-	3,400,449	-	3,400,449
Total capital assets, not being depreciated	<u>476,884</u>	<u>3,400,449</u>	<u>-</u>	<u>3,877,333</u>
Capital assets, being depreciated:				
Buildings	4,972,275	10,642	-	4,982,916
Improvements other than buildings	2,123,575	23,909	-	2,147,484
Machinery and equipment	3,298,050	48,583	-	3,346,632
Infrastructure	2,704,902	-	-	2,704,902
Total capital assets, being depreciated	<u>13,098,801</u>	<u>83,133</u>	<u>-</u>	<u>13,181,934</u>
Less accumulated depreciation for:				
Buildings	567,790	124,318	-	692,108
Improvements other than buildings	824,795	129,469	-	954,264
Machinery and equipment	1,080,672	301,325	-	1,381,997
Infrastructure	508,628	108,196	-	616,824
Total accumulated depreciation	<u>2,981,885</u>	<u>663,307</u>	<u>-</u>	<u>3,645,192</u>
Total capital assets being depreciated, net	<u>10,116,916</u>	<u>(580,174)</u>	<u>-</u>	<u>9,536,742</u>
Governmental activities capital assets, net	<u>\$ 10,593,800</u>	<u>2,820,275</u>	<u>-</u>	<u>13,414,075</u>

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

Governmental activities:	
General government	\$ 294,576
Public safety	74,976
Highways and public improvements	193,021
Parks, recreation and public property	<u>100,734</u>
Total	<u>\$ 663,307</u>

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-C. Capital assets (continued)

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 262,935	-	-	262,935
Construction in progress	80,356	(18,610)	-	61,746
Total capital assets, not being depreciated	<u>343,292</u>	<u>(18,610)</u>	<u>-</u>	<u>324,682</u>
Capital assets, being depreciated:				
Water system	5,160,358	43,352	-	5,203,710
Sewer system	6,795,542	84,356	-	6,879,898
Machinery & equipment	766,206	64,858	-	831,064
Total capital assets, being depreciated	<u>12,722,105</u>	<u>192,566</u>	<u>-</u>	<u>12,914,672</u>
Less accumulated depreciation for:				
Water system	2,488,196	162,283	-	2,650,479
Sewer system	3,056,043	153,556	-	3,209,599
Machinery & equipment	624,777	30,520	-	655,296
Total accumulated depreciation	<u>6,169,016</u>	<u>346,359</u>	<u>-</u>	<u>6,515,375</u>
Total capital assets being depreciated, net	<u>6,553,090</u>	<u>(153,792)</u>	<u>-</u>	<u>6,399,297</u>
Business-type activities capital assets, net	<u>\$ 6,896,381</u>	<u>(172,402)</u>	<u>-</u>	<u>6,723,979</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-type activities:	
Water	\$ 187,986
Sewer	158,372
Total	<u>\$ 346,359</u>

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-D. Long-term debt

	Original Principal	% Rate	6/30/2009	Additions	Reductions	6/30/2010	Due Within One Year
<u>Governmental activities:</u>							
2007 Lease Chargers(3) Matures 11/28/2009	\$ 75,118	4.50	\$ 26,149	-	26,149	-	-
2008 Lease Vehicles Matures 3/5/2011	87,500	3.26	59,264	-	59,264	-	-
2008 Lease Equipment Matures 6/24/2011	305,385	3.86	207,420	-	207,420	-	-
2009 Equipment lease Matures 3/24/2014	270,500	4.25	270,500	-	49,693	220,807	51,805
2010 Refinance Vehicles Matures 6/24/2014	301,880	4.25	-	301,880	62,211	239,669	56,230
2003 Sales Tax Revenue Matures 10/1/2029	2,050,000	2.50	1,800,000	-	66,000	1,734,000	68,000
2009 Sales Tax Revenue Bonds Matures 10/1/2035	4,764,000	-	-	4,764,000	-	4,764,000	191,000
Total governmental activity long-term liabilities			<u>\$2,363,333</u>	<u>5,065,880</u>	<u>470,737</u>	<u>6,958,476</u>	<u>367,035</u>

Bond debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2011	\$ 367,035	62,920	429,955
2012	373,626	56,629	430,255
2013	379,413	50,092	429,505
2014	386,403	43,327	429,730
2015	266,000	36,300	302,300
2016 - 2020	1,360,000	152,375	1,512,375
2021 - 2025	1,412,000	99,225	1,511,225
2026 - 2030	1,470,000	39,275	1,509,275
2031 - 2035	944,000	-	944,000
2036 - 2035	-	-	-
Total	<u>\$6,958,477</u>	<u>540,143</u>	<u>7,498,620</u>

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2009	Additions	Reductions	6/30/2010	Due Within One Year
<u>Business-type activities:</u>							
1993B BWR Water Revenue Matures 1/1/2010	\$ 764,000	-	\$ 33,240	-	33,240	-	-
1993A BWR Water Revenue Matures 1/1/2014	765,000	-	3,240	-	3,240	-	-
Total business-type activity long-term liabilities			<u>\$36,480</u>	<u>-</u>	<u>36,480</u>	<u>-</u>	<u>-</u>

Business-type revenue bond debt service requirements were paid off in full during the current year and no new long-term debt was issued.

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensate absences:			
Governmental	\$ 281,021	11,548	292,569
Business-type	34,079	5,072	39,151
Total	<u>\$ 315,100</u>	<u>16,620</u>	<u>331,720</u>

3-E. Interfund receivables, payables, and transfers

Interfund transfers:

	Transfers Out:			Total
	General	Water and Sewer	Storm Drain	
<u>Transfers In:</u>				
General fund	\$ -	325,000	19,500	344,500
Recreation	136,735	-	-	136,735
Capital projects	127,000	-	-	127,000
Total	<u>\$ 263,735</u>	<u>325,000</u>	<u>19,500</u>	<u>608,235</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - OTHER INFORMATION

4-A. 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; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

Plan Description:

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

The City is required to contribute a percent of covered salary to the respective systems: 11.66% to the Noncontributory and 23.34% to the Public Safety Noncontributory Systems. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ending June 30, 2010, 2009 and 2008 respectively, were: for the Noncontributory System, \$211,007, \$211,289, and \$183,919, and for the Public Safety Noncontributory \$119,256, \$126,600, and \$108,375, respectively. The contributions were equal to the required contributions for each year.

Moab City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

4-C. Landfill agreement

Moab City entered into an agreement with the Grand County Solid Waste Management Special Service District No. 1 and Grand County in which the City agreed to guarantee the performance of closure and post-closure care at the Klondike and Moab Landfills. Should the escrow moneys set aside by the District not cover all costs associated with the closure and post-closure of the landfill, Moab would be liable for one half of the uncovered costs. Total closure and post-closure costs are currently estimated to be no more than \$164,126 for the Klondike Landfill and for the Moab Landfill.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Moab City
Notes to Required Supplementary Information
June 30, 2010

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2010, spending for all departments spending was within the appropriated budget.

Moab City
**SCHEDULE OF REVENUES, EXPENDITUES AND
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
 For the Year Ended June 30, 2010

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
Revenues				
Taxes	\$ 4,556,100	4,556,100	4,982,646	(426,546)
Licenses and permits	109,300	109,300	128,063	(18,763)
Intergovernmental revenues	220,000	220,000	208,933	11,067
Charges for services	919,700	930,700	941,079	(10,379)
Fines and forfeitures	64,500	64,500	48,400	16,100
Interest	44,500	44,500	12,425	32,076
Miscellaneous revenue	124,800	124,800	119,398	5,402
Total revenues	6,038,900	6,049,900	6,440,943	(391,043)
Expenditures				
General government	1,536,989	1,560,279	1,467,813	92,466
Public safety	2,047,669	2,022,386	1,805,972	216,414
Highways and public improvements	2,206,580	2,202,330	1,963,622	238,708
Parks and recreation	556,935	556,935	504,346	52,589
Debt Service:				
Principal	-	404,737	404,736	1
Interest	-	24,469	24,467	2
Total expenditures	6,348,173	6,771,136	6,170,958	600,178
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (455,928)	(751,889)	269,986	(1,021,875)
Other Financing Sources and (Uses)				
Proceeds from sale of bonds	55,000	350,961	301,880	49,081
Proceeds from sale of fixed assets	-	-	2,875	(2,875)
Transfers in	664,663	664,663	344,500	320,163
Transfers (out)	(263,735)	(263,735)	(263,735)	-
Total Other Financing Sources and (Uses)	455,928	751,889	385,520	366,369
Net Change in Fund Balances	-	-	655,506	(655,506)
Fund Balances - beginning of year	926,653	926,653	926,653	-
Fund Balances - end of year	\$ 926,653	926,653	1,582,159	(655,506)



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 14, 2010

Honorable Mayor and
Members of the City Council
Moab City, Utah

Mayor and Council Members:

We have audited the accompanying basic financial statements of Moab City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying management letter to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described in the management letter are a material weakness.

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

Larson & Rosenberger, LLP
Certified Public Accountants



LARSON & ROSENBERGER LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH
APPLICABLE UTAH STATE LAWS AND REGULATIONS**

October 14, 2010

Honorable Mayor and
City Council Members
Moab City, Utah

Mayor and Council Members:

We have audited the basic financial statements of Moab City, Utah, (herein referred to as the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. As part of our audit, we have audited Moab City's compliance with the requirements governing types of services allowed or un-allowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major State assistance programs from the State of Utah:

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

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Impact Fees and Other Development Fees
Justice Courts Compliance
Asset Forfeiture
Utah Retirement System Compliance
Uniform Building Code Standards
Fund Balance

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

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a the management letter dated October 14, 2010. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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

Larson & Rosenberger, LLP
Certified Public Accountants