

Moab City Corporation
Grand County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

Moab City Corporation
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 June 30, 2012

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Accountant's Report - placeholder only

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Moab City Corporation
Management's Discussion and Analysis
June 30, 2012

As management of Moab City Corporation (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, 2012.

FINANCIAL HIGHLIGHTS

- *Total net assets for the City as a whole increased by \$668,401.
- *Total unrestricted net assets for the City as a whole decreased by \$174,869.
- *Total net assets for governmental activities increased by \$670,292.
- *Total net assets for business-type activities decreased by \$1,891.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Moab City Corporation. 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.

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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 Corporation
Management's Discussion and Analysis
June 30, 2012

FINANCIAL ANALYSIS

Moab City Corporation'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	\$ 3,719,717	3,510,552	4,212,167	4,268,631	7,931,883	7,779,184
Net capital assets	18,587,258	18,537,090	6,538,572	6,471,201	25,125,830	25,008,291
Total assets	<u>22,306,975</u>	<u>22,047,642</u>	<u>10,750,738</u>	<u>10,739,833</u>	<u>33,057,713</u>	<u>32,787,475</u>
Long-term liabilities	6,450,973	6,844,569	-	-	6,450,973	6,844,569
Other liabilities	705,177	722,541	72,274	59,477	777,451	782,018
Total liabilities	<u>7,156,150</u>	<u>7,567,109</u>	<u>72,274</u>	<u>59,477</u>	<u>7,228,424</u>	<u>7,626,587</u>
Net assets:						
Capital assets, net of debt	12,136,285	11,692,521	6,538,572	6,471,201	18,674,857	18,163,723
Restricted	77,042	94,644	2,413,127	2,413,127	2,490,169	2,507,771
Unrestricted	2,937,498	2,693,367	1,726,766	1,796,027	4,664,263	4,489,394
Total net assets	<u>\$ 15,150,825</u>	<u>14,480,533</u>	<u>10,678,464</u>	<u>10,680,355</u>	<u>25,829,289</u>	<u>25,160,888</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 \$25,829,289, an increase of \$668,401 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 \$4,664,263, which represents a decrease of \$174,869 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 liabilities 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.

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FINANCIAL ANALYSIS (continued)

Moab City Corporation'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	1,554,232	1,389,236	1,441,511	1,375,335	2,995,742	2,764,571
Operating grants	205,991	199,989	-	-	205,991	199,989
Capital grants	720,866	913,503	80,527	77,278	801,393	990,781
General revenues:						
Sales tax	1,473,101	1,338,286	-	-	1,473,101	1,338,286
Other taxes	4,332,050	3,889,991	-	-	4,332,050	3,889,991
Unrestricted investment earnings	43,435	89,645	7,872	4,379	51,306	94,024
Other revenues	245,377	712,193	-	-	245,377	712,193
Gain on sale of fixed assets	-	-	1,123	35	1,123	35
Total revenues	<u>8,575,051</u>	<u>8,532,843</u>	<u>1,531,032</u>	<u>1,457,027</u>	<u>10,106,083</u>	<u>9,989,870</u>
Expenses:						
General government	2,014,898	1,913,714	-	-	2,014,898	1,913,714
Public safety	2,182,652	1,950,842	-	-	2,182,652	1,950,842
Highways and improvements	2,122,139	2,072,908	-	-	2,122,139	2,072,908
Parks and recreation	1,936,490	1,284,898	-	-	1,936,490	1,284,898
Interest on long-term debt	58,580	62,692	-	-	58,580	62,692
Water and sewer	-	-	1,122,923	1,068,233	1,122,923	1,068,233
Storm drain	-	-	-	7,273	-	7,273
Total expenses	<u>8,314,759</u>	<u>7,285,054</u>	<u>1,122,923</u>	<u>1,075,507</u>	<u>9,437,682</u>	<u>8,360,561</u>
Excess (deficiency) before transfers	<u>260,292</u>	<u>1,247,789</u>	<u>408,109</u>	<u>381,521</u>	<u>668,401</u>	<u>1,629,310</u>
Transfers in (out)	410,000	390,000	(410,000)	(390,000)	-	-
Change in net assets	<u>670,292</u>	<u>1,637,789</u>	<u>(1,891)</u>	<u>(8,479)</u>	<u>668,401</u>	<u>1,629,310</u>

For the City as a whole, total revenues increased by \$116,212 compared to the previous year, while total expenses increased by \$1,077,121. The total net change of \$668,401 is, in private sector terms, the net income for the year which is \$960,909 less than the previous year.

Governmental activities revenues of \$8,575,051 is an increase of \$42,208 from the previous year. While grant revenues and miscellaneous revenues decreased, revenue from charges for services and taxes increased. Governmental activities expenses of \$8,314,759 is an increase of \$1,029,705 from the previous year. Spending for all departments increased during the year, with the greatest increase in the parks and recreation department. The increase in the parks and recreation departments is primarily do to an increase in wages and benefits relating to the Moab Recreation & Aquatic Center.

Business-type activities revenue of \$1,531,032 is an increase of \$74,005 from the previous year. Water operating income increased by \$21,087 and sewer operating income increased by \$42,905. Business-type activities expenses of \$1,122,923 is an increase of \$47,416 from the previous year.

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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 \$1,777,740 reflects an increase of \$701,940 from the previous year. Total revenues increased by \$789,990. Tax revenues increased by \$576,874. Revenue from charges for services increased by \$109,623. All other revenues increased by \$103,495.

Total expenditures, excluding transfers out, increased by \$889,927. Expenditure changes from the previous year, by department, were: general government increased by \$92,631; public safety increased by \$237,277; streets and highways increased by \$32,170; and parks and recreation increased by \$417,765. Capital outlay expenditures increased by \$86,841. Expenditures for principal increased by \$24,560, while expenditures for interest decreased by \$1,317.

The amount restricted for Class C roads is \$77,042. The unassigned fund balance amounts to \$1,700,697.

Capital Projects Fund

The fund balance of \$1,536,655 reflects a decrease of \$433,315 from the previous year. Total revenue, excluding transfers, decreased by \$782,208. In the prior year, proceeds from capital leases, revenues from grants were more than in the current year. However, the greatest change is a result of mortgage payments being received in the prior year amounting to \$525,100, while in the current year there were none. Expenses decreased during the year by \$4,724,982. The Aquatic Center was finished during the current year, with the bulk of the expenditures occurring in the prior year.

Water and Sewer Fund

Net income before transfers out was \$268,733. Transfers out amounted to \$365,000, resulting in a net loss of \$96,267. The amount restricted for construction is \$2,413,127. Unrestricted net assets amount to \$795,652.

Storm Drain Fund

The change in net assets (net income) was \$94,376. Unrestricted net assets amount to \$931,114.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$7,025,433. This amount was amended in the final budget to \$7,157,640. Actual revenues, excluding transfers, amounted to \$7,615,799.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$7,357,697. This amount was amended in the final budget to \$7,514,904. Actual expenditures amounted to \$7,181,123.

Net transfers for the year were budgeted for net transfers in of \$332,264. Actual net transfers in were made in the amount of \$267,264.

Moab City Corporation
Management's Discussion and Analysis
June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Moab City Corporation'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	10,947,322	11,208,139	-	-	10,947,322	11,208,139
Improvements other than buildings	2,240,323	2,192,461	-	-	2,240,323	2,192,461
Machinery and equipment	2,103,953	1,975,301	411,901	192,807	2,515,854	2,168,108
Infrastructure	2,620,465	2,337,035	-	-	2,620,465	2,337,035
Water system	-	-	2,322,056	2,448,487	2,322,056	2,448,487
Sewer system	-	-	3,413,004	3,566,972	3,413,004	3,566,972
Work in progress	198,311	347,271	128,674	-	326,985	347,271
Totals	\$ 18,587,258	18,537,090	6,538,572	6,471,201	25,125,830	25,008,291

The total amount of capital assets, net of depreciation, of \$25,125,830 is an increase of \$117,539 from the previous year.

Governmental activities capital assets, net of depreciation, of \$18,587,258 is an increase of \$50,168 from the previous year.

Business-type activities capital assets, net of depreciation, of \$6,538,572 is an increase of \$67,371 from the previous year.

Increases in capital assets are equal to the amount that new additions to capital assets exceeded depreciation charged during the year.

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

Moab City Corporation
Management's Discussion and Analysis
 June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Moab City Corporation's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
2011 Equipment Lease	\$ 42,158	62,127
2009 Equipment Lease	114,996	169,003
2010 Refinance Vehicles	124,819	183,439
2003 Sales Tax Revenue	1,596,000	1,666,000
2009 Sales Tax Revenue	4,573,000	4,764,000
Total governmental	6,450,973	6,844,569
 Total outstanding debt	 \$ 6,450,973	 6,844,569

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 Corporation'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 Corporation
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 2,716,117	3,344,359	6,060,476
Accounts receivable, net of allowances	709,224	119,408	828,631
Other assets	57,365	-	57,365
Total current assets	3,482,705	3,463,767	6,946,472
Non-current assets:			
Restricted cash and cash equivalents	237,012	748,400	985,412
Capital assets:			
Not being depreciated	675,195	391,610	1,066,805
Net of accumulated depreciation	17,912,063	6,146,962	24,059,025
Total non-current assets	18,824,270	7,286,972	26,111,242
Total assets	\$ 22,306,975	10,750,738	33,057,713
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 315,098	23,382	338,479
Customer security deposits	-	5,213	5,213
Accrued interest	34,307	-	34,307
Revenue bonds due within one year	71,000	-	71,000
Capital leases due within one year	329,113	-	329,113
Total current liabilities	749,518	28,594	778,112
Non-current liabilities:			
Compensated absences	355,772	43,680	399,452
Revenue bonds due after one year	1,525,000	-	1,525,000
Capital leases due after one year	4,525,861	-	4,525,861
Total non-current liabilities	6,406,633	43,680	6,450,313
Total liabilities	7,156,150	72,274	7,228,424
NET ASSETS:			
Invested in capital assets, net of related debt	12,136,285	6,538,572	18,674,857
Restricted:			
Class C roads	77,042	-	77,042
Debt service	-	-	-
Construction	-	2,413,127	2,413,127
Unrestricted	2,937,498	1,726,766	4,664,263
Total net assets	15,150,825	10,678,464	25,829,289
Total liabilities and net assets	\$ 22,306,975	10,750,738	33,057,713

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

Moab City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
Administration	\$ 2,014,898	1,088,580	-	55,088	(871,230)
Public safety	2,182,652	18,224	22,735	-	(2,141,693)
Streets and highways	2,122,139	-	183,256	101,502	(1,837,382)
Culture and recreation	1,936,490	447,427	-	564,277	(924,786)
Interest on long-term debt	58,580	-	-	-	(58,580)
Total governmental activities	8,314,759	1,554,232	205,991	720,866	(5,833,670)
Business-type activities:					
Water & Sewer Utilities	1,122,923	1,302,135	-	80,527	259,739
Storm Drain Utility	-	139,376	-	-	139,376
Total business-type activities	1,122,923	1,441,511	-	80,527	399,115
Total primary government	\$ 9,437,682	2,995,742	205,991	801,393	(5,434,556)

(continued on next page)

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

Moab City Corporation
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2012

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (5,833,670)</u>	<u>399,115</u>	<u>(5,434,556)</u>
General revenues:			
Sales tax	1,473,101	-	1,473,101
Other taxes	4,332,050	-	4,332,050
Unrestricted investment earnings	43,435	7,872	51,306
Gain on sales of capital assets	-	1,123	1,123
Miscellaneous	245,377	-	245,377
Transfers in (out)	<u>410,000</u>	<u>(410,000)</u>	<u>-</u>
Total general revenues and transfers	<u>6,503,962</u>	<u>(401,006)</u>	<u>6,102,957</u>
Change in net assets	670,292	(1,891)	668,401
Net assets - beginning	<u>14,480,533</u>	<u>10,680,355</u>	<u>25,160,888</u>
Net assets - ending	<u>\$ 15,150,825</u>	<u>10,678,464</u>	<u>25,829,289</u>

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

Moab City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,058,970	1,564,334	92,813	2,716,117
Accounts receivable, net of allowances	698,357	10,867	-	709,224
Other assets	57,365	-	-	57,365
Restricted cash and cash equivalents	237,012	-	-	237,012
TOTAL ASSETS	\$ 2,051,703	1,575,201	92,813	3,719,717
LIABILITIES				
Accounts payable	\$ 273,963	38,546	2,589	315,098
TOTAL LIABILITIES	273,963	38,546	2,589	315,098
FUND BALANCES:				
Restricted for:				
Class C roads	77,042	-	-	77,042
Assigned for:				
Capital projects	-	1,461,655	-	1,461,655
USU Set-aside	-	75,000	-	75,000
Recreation	-	-	87,191	87,191
Youth city council	-	-	3,034	3,034
Unassigned:				
General fund	1,700,697	-	-	1,700,697
TOTAL FUND BALANCES	1,777,740	1,536,655	90,224	3,404,619
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,051,703	1,575,201	92,813	3,719,717

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

Moab City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Sales	\$ 1,473,101	-	-	1,473,101
Other taxes	4,332,050	-	-	4,332,050
Licenses and permits	128,736	-	-	128,736
Intergovernmental revenues	261,079	601,727	64,052	926,857
Charges for services	1,222,436	26,000	133,418	1,381,854
Fines and forfeitures	43,642	-	-	43,642
Interest	43,174	261	-	43,435
Miscellaneous revenue	111,582	43,868	89,927	245,377
Total revenues	<u>7,615,799</u>	<u>671,855</u>	<u>287,397</u>	<u>8,575,051</u>
EXPENDITURES:				
Current:				
General government	1,672,257	-	-	1,672,257
Public safety	2,116,170	-	-	2,116,170
Highways and public improvements	1,906,836	-	-	1,906,836
Parks, recreation and public property	1,100,782	25,961	444,089	1,570,832
Capital outlay	235,230	780,060	-	1,015,290
Debt service:				
Principal	132,595	261,000	-	393,595
Interest	17,253	41,650	-	58,903
Total expenditures	<u>7,181,123</u>	<u>1,108,671</u>	<u>444,089</u>	<u>8,733,883</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>434,676</u>	<u>(436,815)</u>	<u>(156,693)</u>	<u>(158,832)</u>
Other Financing Sources and (Uses):				
Transfers in	410,000	3,500	139,236	552,736
Transfers (out)	(142,736)	-	-	(142,736)
Total other financing sources and (uses)	<u>267,264</u>	<u>3,500</u>	<u>139,236</u>	<u>410,000</u>
Net Change in Fund Balances	701,940	(433,315)	(17,457)	251,168
Fund balances - beginning of year	<u>1,075,799</u>	<u>1,969,970</u>	<u>107,681</u>	<u>3,153,451</u>
Fund balances - end of year	<u>\$ 1,777,740</u>	<u>1,536,655</u>	<u>90,224</u>	<u>3,404,619</u>

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

Moab City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2012

Total Fund Balances for Governmental Funds	<u>\$ 3,404,619</u>
Total net assets reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	23,922,811
Less accumulated depreciation	<u>(5,335,552)</u>
Net capital assets	<u>18,587,258</u>
Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(6,450,973)</u>
Interest accrued but not yet paid on long-term debt	<u>(34,307)</u>
Compensated absences	<u>(355,772)</u>
Total Net Assets of Governmental Activities	<u>\$ 15,150,825</u>

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

Moab City 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, 2012

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 251,168</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital outlays	1,015,290
Depreciation expense	<u>(965,122)</u>
Net	<u>50,168</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Long-term debt principal repayments	<u>393,595</u>
<p>Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.</p>	
Change in accrued interest	<u>323</u>
<p>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.</p>	
Change in compensated absence liability	<u>(24,963)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 670,292</u></u>

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

Moab City Corporation
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	Water & Sewer Fund	Storm Drain Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,427,600	916,759	3,344,359
Accounts receivable, net	105,053	14,354	119,408
Total current assets	<u>2,532,653</u>	<u>931,114</u>	<u>3,463,767</u>
Non-current assets:			
Restricted cash and cash equivalents	748,400	-	748,400
Capital assets:			
Not being depreciated	370,235	21,375	391,610
Net of accumulated depreciation	6,146,962	-	6,146,962
Total non-current assets	<u>7,265,597</u>	<u>21,375</u>	<u>7,286,972</u>
Total assets	<u>9,798,250</u>	<u>952,489</u>	<u>10,750,738</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 23,382	-	23,382
Customer security deposits	5,213	-	5,213
Total current liabilities	<u>28,594</u>	<u>-</u>	<u>28,594</u>
Non-current liabilities:			
Compensated absences	43,680	-	43,680
Total non-current liabilities	<u>43,680</u>	<u>-</u>	<u>43,680</u>
Total liabilities	<u>72,274</u>	<u>-</u>	<u>72,274</u>
NET ASSETS:			
Invested in capital assets, net of related debt	6,517,197	21,375	6,538,572
Restricted for:			
Construction	2,413,127	-	2,413,127
Unrestricted	795,652	931,114	1,726,766
Total net assets	<u>9,725,976</u>	<u>952,489</u>	<u>10,678,464</u>
Total liabilities and net assets	<u>9,798,250</u>	<u>952,489</u>	<u>10,750,738</u>

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

Moab City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	Water & Sewer Fund	Storm Drain Fund	Total
Operating income:			
Charges for sales and service	\$ 1,204,087	139,376	1,343,463
Connection fees	20,192	-	20,192
Other operating income	77,856	-	77,856
Total operating revenue	<u>1,302,135</u>	<u>139,376</u>	<u>1,441,511</u>
Operating expenses:			
Personal services	274,936	-	274,936
Utilities	85,175	-	85,175
Repair & maintenance	43,447	-	43,447
Other supplies & expenses	340,665	-	340,665
Insurance expense	1,560	-	1,560
Depreciation expense	377,140	-	377,140
Total operating expense	<u>1,122,923</u>	<u>-</u>	<u>1,122,923</u>
Net operating income (loss)	<u>179,212</u>	<u>139,376</u>	<u>318,588</u>
Non-operating income (expense):			
Impact fees	80,527	-	80,527
Interest income	7,872	-	7,872
Total non-operating income (expense)	<u>89,521</u>	<u>-</u>	<u>89,521</u>
Income (loss) before transfers and capital contributions	<u>268,733</u>	<u>139,376</u>	<u>408,109</u>
Transfers (out)	365,000	45,000	410,000
Change in net assets	(96,267)	94,376	(1,891)
Net assets, beginning	9,822,243	858,113	10,680,355
Net assets, ending	<u>\$ 9,725,976</u>	<u>952,489</u>	<u>10,678,464</u>

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

Moab City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Water & Sewer Fund	Storm Drain Fund	Total
Cash flows from operating activities:			
Cash received from customers - service	\$ 1,286,408	139,735	1,426,143
Cash paid to suppliers	(461,473)	-	(461,473)
Cash paid to employees	(270,876)	-	(270,876)
Net cash provided (used) in operating activities	<u>554,059</u>	<u>139,735</u>	<u>693,795</u>
Cash flows from noncapital financing activities:			
Change in customer deposits	(638)	-	(638)
Net interfund activity	(365,000)	(45,000)	(410,000)
Net cash provided (used) in noncapital financing activities	<u>(365,638)</u>	<u>(45,000)</u>	<u>(410,638)</u>
Cash flows from capital and related financing activities:			
Cash received from impact fees	80,527	-	80,527
Cash payments for capital assets	(422,013)	(21,375)	(443,388)
Net cash provided (used) in capital and related financing activities	<u>(341,486)</u>	<u>(21,375)</u>	<u>(362,861)</u>
Cash flows from investing activities:			
Cash received from interest earned	7,872	-	7,872
Net cash provided (used) in investing activities	<u>7,872</u>	<u>-</u>	<u>7,872</u>
Net increase (decrease) in cash	(145,192)	73,360	(71,832)
Cash balance, beginning	3,321,192	843,399	4,164,591
Cash balance, ending	<u>\$ 3,176,000</u>	<u>916,759</u>	<u>4,092,759</u>
Cash reported on the balance sheet:			
Cash and cash equivalents	\$ 2,427,600	916,759	3,344,359
Non-current restricted cash	748,400	-	748,400
Total cash and cash equivalents	<u>\$ 3,176,000</u>	<u>916,759</u>	<u>4,092,759</u>

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

Moab City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2012

**Reconciliation of Operating Income to Net
Cash Provided (Used) In Operating Activities:**

	Water & Sewer Fund	Storm Drain Fund	Total
Net operating income (expense)	\$ 179,212	139,376	318,588
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	377,140	-	377,140
Changes in assets and liabilities:			
(Increase) decrease in receivables	(15,727)	359	(15,367)
Increase (decrease) in payables	13,434	-	13,434
Net cash provided (used) in operating activities	\$ 554,059	139,735	693,795

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

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Moab City Corporation (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 Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 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 Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

1-E-8. Fund Equity

Government-wide Financial Statements

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

Invested in capital assets, net of related debt - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

Restricted fund balance - This classification includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The City's remaining balance of Class C Road cash is restricted.

Committed fund balance - This classification includes amounts that can only be used for specific purposes established by formal action of the City Council, which is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has not committed any fund balance amounts.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

1-E-8. Fund Equity (continued)

Assigned fund balance - This classification includes amounts that the City intends to be used for a specific purpose but are neither restricted nor committed. These are established by the City Council. This category includes the remaining positive fund balances for governmental funds other than the general fund.

Unassigned fund balance - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

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, 2012, none of the City's funds have deficit fund balances.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2012 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 650
Demand deposits - checking	1,740,463
Savings	2,409,089
Deposits - PTIF	2,895,685
Total cash	\$ 7,045,887

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

Cash and cash equivalents (current)	\$ 6,060,476
Restricted cash and cash equivalents (non-current)	985,412
Total cash and cash equivalents	\$ 7,045,887

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 Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

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, 2012, \$500,000 of the City's demand and bank trust deposits are covered by FDIC insurance.

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. Receivables as of year-end for the City's funds are shown below:

	Governmental Activities	Business-Type Activities	Total
Customers	\$ 102,679	131,319	233,997
Intergovernmental	595,901	-	595,901
Other receivables	10,644	-	10,644
Total receivables	\$ 709,224	131,319	840,542
Allowance for uncollectibles	-	(11,911)	(11,911)
Net receivables	\$ 709,224	119,408	828,631

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	347,271	140,650	289,610	198,311
Total capital assets, not being depreciated	<u>824,155</u>	<u>140,650</u>	<u>289,640</u>	<u>675,195</u>
Capital assets, being depreciated:				
Buildings	12,075,693	41,095	-	12,116,787
Improvements other than buildings	3,284,967	263,558	3,630	3,544,896
Machinery and equipment	3,656,754	451,299	-	4,108,053
Infrastructure	3,069,583	408,297	-	3,477,880
Total capital assets, being depreciated	<u>22,086,997</u>	<u>1,164,249</u>	<u>3,630</u>	<u>23,247,616</u>
Less accumulated depreciation for:				
Buildings	867,554	301,911	-	1,169,465
Improvements other than buildings	1,092,506	215,697	3,630	1,304,573
Machinery and equipment	1,681,453	322,647	-	2,004,100
Infrastructure	732,548	124,866	-	857,415
Total accumulated depreciation	<u>4,374,061</u>	<u>965,122</u>	<u>3,630</u>	<u>5,335,553</u>
Total capital assets being depreciated, net	<u>17,712,936</u>	<u>199,128</u>	<u>-</u>	<u>17,912,063</u>
Governmental activities capital assets, net	<u>\$ 18,537,090</u>	<u>339,778</u>	<u>289,610</u>	<u>18,587,258</u>

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

Governmental activities:	
General government	\$ 317,678
Public safety	66,483
Highways and public improvements	215,303
Parks, recreation and public property	365,658
Total	<u>\$ 965,122</u>

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	-	128,674	-	128,674
Total capital assets, not being depreciated	<u>262,935</u>	<u>128,674</u>	<u>-</u>	<u>391,610</u>
Capital assets, being depreciated:				
Water system	5,261,752	37,137	-	5,298,889
Sewer system	6,931,477	-	-	6,931,477
Machinery & equipment	883,465	278,699	-	1,162,164
Total capital assets, being depreciated	<u>13,076,693</u>	<u>315,836</u>	<u>-</u>	<u>13,392,529</u>
Less accumulated depreciation for:				
Water system	2,813,265	163,568	-	2,976,832
Sewer system	3,364,505	153,968	-	3,518,472
Machinery & equipment	690,658	59,605	-	750,263
Total accumulated depreciation	<u>6,868,427</u>	<u>377,140</u>	<u>-</u>	<u>7,245,567</u>
Total capital assets being depreciated, net	<u>6,208,266</u>	<u>(61,304)</u>	<u>-</u>	<u>6,146,962</u>
Business-type activities capital assets, net	<u>\$ 6,471,201</u>	<u>67,371</u>	<u>-</u>	<u>6,538,572</u>

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

Business-type activities:	
Water	\$ 196,504
Sewer	180,636
Total	<u>\$ 377,140</u>

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

3-D. Long-term debt

	Original Principal	%	6/30/2011	Additions	Reductions	6/30/2012	Due Within One Year
Governmental activities:							
2011 Equipment Lease Matures 1/25/2014	\$ 62,127	3.66	\$ 62,127	-	19,969	42,158	20,700
2009 Equipment lease Matures 3/24/2014	270,500	4.25	169,003	-	54,006	114,996	56,302
2010 Refinance Vehicles Matures 6/24/2014	301,880	4.25	183,439	-	58,620	124,819	61,111
2003 Sales Tax Revenue Matures 10/1/2029	2,050,000	2.50	1,666,000	-	70,000	1,596,000	71,000
2009 Sales Tax Revenue Bonds Matures 10/1/2035	4,764,000	-	4,764,000	-	191,000	4,573,000	191,000
Total governmental activity long-term liabilities			<u>\$6,844,569</u>	<u>-</u>	<u>393,595</u>	<u>6,450,973</u>	<u>400,113</u>

Debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2013	\$ 400,113	51,635	451,748
2014	407,861	44,112	451,973
2015	266,000	36,300	302,300
2016	268,000	34,425	302,425
2017	270,000	32,500	302,500
2018 - 2022	1,380,000	131,875	1,511,875
2023 - 2027	1,434,000	76,100	1,510,100
2028 - 2032	1,272,000	15,975	1,287,975
2033 - 2035	753,000	-	753,000
Total	<u>\$6,450,973</u>	<u>422,923</u>	<u>6,873,896</u>

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensate absences:			
Governmental	\$ 330,809	24,963	355,772
Business-type	39,620	4,060	43,680
Total	<u>\$ 370,429</u>	<u>29,023</u>	<u>399,452</u>

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3-E. Interfund receivables, payables, and transfers

Interfund transfers:

	Transfers Out:			Total
	General	Water and Sewer	Storm Drain	
<u>Transfers In:</u>				
General fund	\$ -	365,000	45,000	410,000
Recreation	139,236	-	-	139,236
Millcreek projects	3,500	-	-	3,500
Total	\$ 142,736	365,000	45,000	552,736

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.

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 Contributory Retirement System (Contributory System), Noncontributory Retirement System (Noncontributory System), Contributory Public Safety Retirement System (Contributory Public Safety System), and Noncontributory Public Safety Retirement System (Noncontributory 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.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4-B. Employee pension and other benefit plans (continued)

Funding Policy:

The City is required to contribute a percent of covered salary to the respective systems: 10.33% to the Contributory System, 13.77% to the Noncontributory System, 16.27% to the Public Safety Contributory System, and 27.07% to the Public Safety Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the various systems for the years ending June 30, 2012, 2011 and 2010 respectively, were: for the Contributory System, \$700, \$0, and \$0; for the Noncontributory System, \$281,016, \$251,908 and \$211,007; for the Public Safety Contributory System, \$5,273, \$0, and \$0; and for the Public Safety Noncontributory System, \$139,246, \$125,207, and \$119,256, respectively. The contributions were equal to the required contributions for each year.

IRC Code Section 401K Plan:

The City participates in a 401k plan offered through the Utah State Retirement Systems. The City's contributions for the years ending June 30, 2012, 2011 and 2010 were \$16,681, \$15,677, and \$12,859, respectively.

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 Corporation
Notes to Required Supplementary Information
June 30, 2012

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the City'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, 2012, spending for all departments spending was within the appropriated budget.

Moab City Corporation
**SCHEDULE OF REVENUES, EXPENDITUES AND
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
 For the Year Ended June 30, 2012

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 5,361,983	5,362,735	5,805,150	442,415
Licenses and permits	109,000	109,000	128,736	19,736
Intergovernmental revenues	253,000	277,000	261,079	(15,921)
Charges for services	1,160,050	1,214,450	1,222,436	7,986
Fines and forfeitures	48,400	48,400	43,642	(4,758)
Interest	37,000	37,000	43,174	6,174
Miscellaneous revenue	41,000	94,055	111,582	17,527
Total revenues	<u>7,010,433</u>	<u>7,142,640</u>	<u>7,615,799</u>	<u>473,159</u>
Expenditures				
General government	1,809,363	1,788,438	1,675,790	112,648
Public safety	2,209,325	2,276,657	2,189,570	87,087
Highways and public improvements	2,110,713	2,146,246	2,065,133	81,113
Parks and recreation	1,078,447	1,153,714	1,100,782	52,932
Debt Service:				
Principal	132,596	132,596	132,595	1
Interest	17,253	17,253	17,253	-
Total expenditures	<u>7,357,697</u>	<u>7,514,904</u>	<u>7,181,123</u>	<u>333,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (347,264)</u>	<u>(372,264)</u>	<u>434,676</u>	<u>806,940</u>
Other Financing Sources and (Uses)				
Proceeds from sale of fixed assets	15,000	15,000	-	(15,000)
Transfers in	475,000	475,000	410,000	(65,000)
Transfers (out)	(142,736)	(142,736)	(142,736)	-
Total Other Financing Sources and (Uses)	<u>347,264</u>	<u>347,264</u>	<u>267,264</u>	<u>(80,000)</u>
Net Change in Fund Balances	-	(25,000)	701,940	726,940
Fund Balances - beginning of year	1,075,779	1,075,799	1,075,799	-
Fund Balances - end of year	<u><u>\$ 1,075,779</u></u>	<u><u>1,050,799</u></u>	<u><u>1,777,740</u></u>	<u><u>726,940</u></u>