

LAVERKIN CITY
WASHINGTON COUNTY, UTAH



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010



La Verkin City
TABLE OF CONTENTS
June 30, 2010

	<u>Beginning on page</u>
INDEPENDENT ACCOUNTANT'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	46
Report on Internal control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	47
Report on Compliance with State Fiscal Laws	49
Findings and Recommendations	51

This page intentionally left blank.



Independent Auditors' Report

MEMBERS:
 CHAD B. ATKINSON, CPA
 KRIS J. BRAUNBERGER, CPA
 DEAN R. BURDICK, CPA
 ROBERT S. COX, CPA
 TODD B. FELTNER, CPA
 K. MARK FROST, CPA
 BRENT R. HALL, CPA
 TODD R. HESS, CPA
 KENNETH A. HINTON, CPA
 MORRIS J. PEACOCK, CPA
 PHILLIP S. PEINE, CPA
 MICHAEL K. SPILKER, CPA
 KEVIN L. STEPHENS, CPA
 MARK E. TICHENOR, CPA

Honorable Mayor and
 Members of City Council
 LaVerkin City
 LaVerkin, Utah

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 LaVerkin City, Utah as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of LaVerkin City's management. Our responsibility is to express an opinion on these basic 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 opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010, on our consideration of LaVerkin City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
November 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank.

La Verkin City
Management's Discussion and Analysis
June 30, 2010

As management of La Verkin 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 decreased by \$258,821.

*Total unrestricted net assets for the City as a whole decreased by \$15,668.

*Total net assets for governmental activities increased by \$80,000.

*Total net assets for business-type activities decreased by \$338,821.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of La Verkin 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.

La Verkin 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. A reconciliation is provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

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

The City adopts an annual appropriated budget for all its governmental funds. 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's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses five enterprise funds to account for the operations of the water, sewer, irrigation, garbage, and storm drainage activities.

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.

La Verkin City
Management's Discussion and Analysis
 June 30, 2010

FINANCIAL ANALYSIS

La Verkin 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	\$ 693,679	383,614	646,222	872,373	1,339,901	1,255,987
Net capital assets	4,775,916	5,169,382	3,064,299	2,410,887	7,840,215	7,580,268
Total assets	<u>5,469,594</u>	<u>5,552,996</u>	<u>3,710,521</u>	<u>3,283,260</u>	<u>9,180,116</u>	<u>8,836,256</u>
Long-term liabilities	1,968,943	2,144,209	1,131,000	438,000	3,099,943	2,582,209
Other liabilities	512,375	500,512	331,603	258,521	843,978	759,032
Total liabilities	<u>2,481,319</u>	<u>2,644,720</u>	<u>1,462,603</u>	<u>696,521</u>	<u>3,943,922</u>	<u>3,341,241</u>
Net assets:						
Capital assets, net of related debt	2,806,972	3,025,173	1,933,299	1,972,887	4,740,271	4,998,060
Restricted	111,398	116,619	62,637	42,780	174,035	159,399
Unrestricted	69,906	233,516	251,982	571,072	321,888	337,556
Total net assets	<u>\$ 2,988,276</u>	<u>2,908,276</u>	<u>2,247,918</u>	<u>2,586,739</u>	<u>5,236,194</u>	<u>5,495,015</u>

As noted above, 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 \$5,236,194, an increase of \$258,821 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 \$321,888, which represents a decrease of \$15,668 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants 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 amount of debt that has been repaid during the year.

La Verkin City
Management's Discussion and Analysis
June 30, 2010

FINANCIAL ANALYSIS (continued)

La Verkin 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	\$ 90,366	122,521	1,423,075	1,449,894	1,513,441	1,572,415
Operating grants	227,845	171,498	-	-	227,845	171,498
Capital grants	-	-	5,354	21,600	5,354	21,600
General revenues:						
Property taxes	363,188	377,504	-	-	363,188	377,504
Sales tax	392,995	416,913	-	-	392,995	416,913
Other taxes	228,861	238,287	-	-	228,861	238,287
Impact fees	8,312	29,092	5,163	26,110	13,475	55,202
Other revenues	32,976	32,061	1,810	1,492	34,786	33,553
Total revenues	<u>1,344,543</u>	<u>1,387,876</u>	<u>1,435,402</u>	<u>1,499,096</u>	<u>2,779,944</u>	<u>2,886,972</u>
Expenses:						
General government	378,834	724,536	-	-	378,834	724,536
Public safety	598,565	509,244	-	-	598,565	509,244
Streets and public works	466,879	99,407	-	-	466,879	99,407
Parks and recreation	135,797	93,762	-	-	135,797	93,762
Interest on long-term debt	104,355	112,142	-	-	104,355	112,142
Water	-	-	647,372	645,064	647,372	645,064
Sewer	-	-	385,920	417,489	385,920	417,489
Irrigation	-	-	68,649	66,055	68,649	66,055
Garbage	-	-	163,212	147,526	163,212	147,526
Drainage	-	-	89,184	90,871	89,184	90,871
Total expenses	<u>1,684,428</u>	<u>1,539,090</u>	<u>1,354,337</u>	<u>1,367,005</u>	<u>3,038,765</u>	<u>2,906,095</u>
Excess (deficiency) before transfers	(339,886)	(151,214)	81,065	132,091	(258,821)	(19,123)
Transfers in (out)	419,886	126,844	(419,886)	(126,844)	-	-
Change in net assets	<u>\$ 80,000</u>	<u>(24,370)</u>	<u>(338,821)</u>	<u>5,247</u>	<u>(258,821)</u>	<u>(19,123)</u>

For the City as a whole, total revenues decreased by \$107,028 compared to the previous year, while total expenses increased by \$132,670. The total net change of \$258,821 is, in private sector terms, the net loss for the year which is \$239,698 less than the previous year's net change (net loss).

Governmental activities revenues of \$1,344,543 is \$43,333 less than the previous year, while governmental activities expenses of \$1,684,428 is \$145,338 more than the previous year. The most significant difference was the increased expenditures in the streets and public works.

Business-type activities revenue of \$1,435,402 is \$63,694 less than the previous year. Charges for services and capital grants decreased during the year. Business-type activities expenses of \$1,354,337 were less than the previous year by \$12,668.

La Verkin 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 \$155,130 reflects an increase of \$255,984 from the previous year. Total revenues in the general fund amounted to \$1,326,168, representing a decrease of \$29,548 from the previous year. Total expenditures from the general fund amounted to \$1,161,154, representing an increase of \$140,975. Net transfers in of \$90,969 were transferred to the general fund.

Net assets restricted for impact fees amount to \$1,505. Unrestricted net assets amount to \$153,625.

Water Fund

The change in net assets (net loss) was \$355,252, which included transfer out in the amount of \$345,326. Net assets restricted for debt service amount to \$60,970. Unrestricted net assets amount to \$66,835.

Sewer Fund

The change in net assets (net income) was \$15,173. Unrestricted net assets amount to \$1,596.

Irrigation Fund

There was an increase in fund balance during the year of \$4,814, resulting in a and ending balance of \$1,004,149. Net assets restricted for debt service amount to \$1,667. Unrestricted net assets amount to \$171,684.

Garbage Fund

The change in net assets (net income) was \$7,587. Unrestricted net assets amount to \$24,805.

Drainage Fund

The change in net assets (net loss) was \$11,144, which included a net transfer out of \$72,560. Unrestricted net assets are a deficit in the amount of \$12,938.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund resources for the year were originally budget at \$1,365,825. Subsequent amendments decreased the expected revenues to \$1,310,875. Actual revenues amounted to \$1,326,168. Tax, license and permit, and intergovernmental revenues exceeded the budgeted amount, while charges for services, fines and forfeitures and other revenues fell short of what was expected.

General fund expenditures were originally budgeted in the amount of \$1,150,350, which was subsequently increased by amendment to \$1,193,355. Actual expenditures amounted to \$1,161,154. All department spending was under the respective budgeted amount.

La Verkin City
Management's Discussion and Analysis
June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

La Verkin 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		
Capital Assets:						
Land and rights	\$ 920,954	920,954	586,167	586,167	1,507,121	1,507,121
Buildings	1,238,362	1,238,362	-	-	1,238,362	1,238,362
Improvements	7,707,285	7,701,709	-	-	7,707,285	7,701,709
Machinery and equipment	501,182	501,182	324,913	337,903	826,095	839,085
Water system	-	-	2,646,520	2,646,520	2,646,520	2,646,520
Irrigation system	-	-	325,686	325,686	325,686	325,686
Drainage system	-	-	160,658	160,658	160,658	160,658
Construction in progress	18,667	-	806,796	16,200	825,463	16,200
Total Capital Assets	10,386,449	10,362,207	4,850,740	4,073,134	15,237,189	14,435,341
Less Accumulated Depreciation	(5,610,534)	(5,192,825)	(1,786,441)	(1,662,247)	(7,396,974)	(6,855,072)
Net Capital Assets	<u>\$ 4,775,916</u>	<u>5,169,382</u>	<u>3,064,299</u>	<u>2,410,887</u>	<u>7,840,215</u>	<u>7,580,268</u>

The total amount of capital assets at year-end, net of depreciation, amount to \$7,840,215. This represents an increase of \$259,946 from the previous year. The amount of increases in capital asset balances, net of depreciation, represent the amount that investment in capital assets exceeded the amount of depreciation charged on these assets.

Governmental activities capital assets, net of depreciation, of \$4,775,916 has decreased a net amount of \$393,466 from the previous year. Total depreciation charged for the year on governmental activities assets was \$417,709.

Business-type activities capital assets, net of depreciation, of \$3,064,299 increased during the year by \$653,413. Additional investment was made in water system assets for the State Street Project. Total depreciation charged for business-type assets during the year was \$124,194.

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

La Verkin City
Management's Discussion and Analysis
June 30, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

La Verkin City's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2005 Dodge Ram Lease	\$ -	3,330
2000 Excise Tax (Street)	-	84,977
2005 Real Property Lease	114,943	134,901
2006 Sales Tax (Street)	988,000	1,025,000
2007 Sales Tax (PWB)	<u>866,000</u>	<u>896,000</u>
Total governmental	<u>\$ 1,968,943</u>	<u>2,144,209</u>
Business-type activities:		
1999 Water Revenue	\$ 411,000	438,000
2010 Water Revenue	<u>720,000</u>	<u>-</u>
Total business-type	<u>\$ 1,131,000</u>	<u>438,000</u>
Total long-term debt	<u>\$ 3,099,943</u>	<u>2,582,209</u>

New debt in the amount of \$720,000 was issued during the year. Other differences represent the amount of principal repaid during the year.

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 La Verkin 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 the City of LaVerkin, 435 North Main Street, LaVerkin, UT 84745.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

La Verkin City
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 92,119	189,500	281,619
Accounts receivable, net	<u>480,012</u>	<u>132,200</u>	<u>612,212</u>
Total current assets	<u>572,131</u>	<u>321,699</u>	<u>893,831</u>
Non-current assets:			
Restricted cash and cash equivalents	121,547	307,106	428,653
Capital assets:			
Not being depreciated	939,621	1,392,963	2,332,584
Net of accumulated depreciation	3,836,295	1,671,336	5,507,631
Unamortized bond issue costs	-	<u>17,417</u>	<u>17,417</u>
Total non-current assets	<u>4,897,463</u>	<u>3,388,822</u>	<u>8,286,285</u>
Total assets	<u><u>\$ 5,469,594</u></u>	<u><u>3,710,521</u></u>	<u><u>9,180,116</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 61,094	241,051	302,145
Accrued liabilities	-	13,385	13,385
Accrued interest payable	43,368	10,070	53,438
Customer deposits	10,431	67,098	77,528
Deferred revenue	352,165	-	352,165
Revenue bonds, current portion	<u>89,906</u>	<u>54,000</u>	<u>143,906</u>
Total current liabilities	<u>556,964</u>	<u>385,603</u>	<u>942,567</u>
Non-current liabilities:			
Compensated absences	45,317	-	45,317
Revenue bonds, long-term	<u>1,879,037</u>	<u>1,077,000</u>	<u>2,956,037</u>
Total non-current liabilities	<u>1,924,354</u>	<u>1,077,000</u>	<u>3,001,354</u>
Total liabilities	<u><u>2,481,319</u></u>	<u><u>1,462,603</u></u>	<u><u>3,943,922</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	2,806,972	1,933,299	4,740,271
Restricted:			
Debt service	81,763	62,637	144,400
Capital projects	1,505	-	1,505
Cemetery	28,129	-	28,129
Unrestricted	<u>69,906</u>	<u>251,982</u>	<u>321,888</u>
Total net assets	<u>2,988,276</u>	<u>2,247,918</u>	<u>5,236,194</u>
Total liabilities and net assets	<u><u>\$ 5,469,594</u></u>	<u><u>3,710,521</u></u>	<u><u>9,180,116</u></u>

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

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

	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:					
General government	\$ 378,834	59,427	-	-	(319,406)
Public safety	598,565	-	86,987	-	(511,578)
Streets & public works	466,879	770	140,110	-	(325,999)
Parks and recreation	135,797	30,169	749	-	(104,879)
Interest on long-term debt	104,355	-	-	-	(104,355)
Total governmental activities	1,684,428	90,366	227,845	-	(1,366,218)
Business-type activities:					
Water	647,372	635,565	-	-	(11,807)
Sewer	385,920	401,093	-	-	15,173
Irrigation	68,649	72,511	-	-	3,862
Garbage	163,212	170,799	-	-	7,587
Drainage	89,184	143,106	-	5,354	59,276
Total business-type activities	1,354,337	1,423,075	-	5,354	74,092
Total primary government	\$ 3,038,765	1,513,441	227,845	5,354	(1,292,125)

(The statement of activities
continues on following page)

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

La Verkin 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>\$ (1,366,218)</u>	<u>74,092</u>	<u>(1,292,125)</u>
General revenues:			
Property taxes	363,188	-	363,188
Sales tax	392,995	-	392,995
Other taxes	228,861	-	228,861
Impact fees	8,312	5,163	13,475
Unrestricted investment earnings	12,412	1,810	14,222
Miscellaneous	<u>20,564</u>	<u>-</u>	<u>20,564</u>
Total general revenues	1,026,332	6,973	1,033,305
Transfers in (out)	<u>419,886</u>	<u>(419,886)</u>	<u>-</u>
Total general revenues and transfers	<u>1,446,218</u>	<u>(412,913)</u>	<u>1,033,305</u>
Change in net assets	80,000	(338,821)	(258,821)
Net assets - beginning	<u>2,908,276</u>	<u>2,586,739</u>	<u>5,495,015</u>
Net assets - ending	<u>\$ 2,988,276</u>	<u>2,247,918</u>	<u>5,236,194</u>

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

La Verkin City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Debt Service	Capital Projects	Cemetery Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 87,153	-	4,966	-	92,119
Receivables:					
Customer accounts, net	32,716	-	-	1,038	33,754
Due from other governments	119,594	-	-	-	119,594
Property tax - current levy	326,664	-	-	-	326,664
Restricted cash and cash equivalents	12,193	82,263	-	27,091	121,547
TOTAL ASSETS	<u>\$ 578,320</u>	<u>82,263</u>	<u>4,966</u>	<u>28,129</u>	<u>693,679</u>
LIABILITIES					
Accounts payable	\$ 25,069	500	-	-	25,569
Accrued liabilities	35,525	-	-	-	35,525
Customer deposits	10,431	-	-	-	10,431
Deferred revenues	352,165	-	-	-	352,165
TOTAL LIABILITIES	<u>423,190</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>423,690</u>
FUND BALANCES:					
Unspendable:					
Cemetery	-	-	-	28,129	28,129
Restricted for:					
Debt service	-	81,763	-	-	81,763
Impact fees	1,505	-	-	-	1,505
Committed for:					
Construction	-	-	4,966	-	4,966
Unassigned	153,625	-	-	-	153,625
TOTAL FUND BALANCES	<u>155,130</u>	<u>81,763</u>	<u>4,966</u>	<u>28,129</u>	<u>269,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 578,320</u>	<u>82,263</u>	<u>4,966</u>	<u>28,129</u>	<u>693,679</u>

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

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

	General Fund	Debt Service	Capital Projects	Cemetery Fund	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 363,188	-	-	-	363,188
Sales	392,995	-	-	-	392,995
Other taxes	228,861	-	-	-	228,861
Licenses and permits	27,515	-	-	-	27,515
Intergovernmental revenues	227,845	-	-	-	227,845
Charges for services	22,025	-	-	8,913	30,938
Fines and forfeitures	31,912	-	-	-	31,912
Miscellaneous revenue	23,500	616	8,845	-	32,961
Total revenues	<u>1,317,841</u>	<u>616</u>	<u>8,845</u>	<u>8,913</u>	<u>1,336,216</u>
EXPENDITURES:					
General government	339,894	-	-	-	339,894
Public safety	569,439	-	-	-	569,439
Highways and public improvements	140,936	-	-	-	140,936
Parks, recreation and public property	107,554	-	-	-	107,554
Capital outlay	-	-	24,243	-	24,243
Debt service:					
Principal	-	171,935	-	-	171,935
Capital lease	3,330	-	-	-	3,330
Interest	-	106,964	-	-	106,964
Total expenditures	<u>1,161,154</u>	<u>278,899</u>	<u>24,243</u>	<u>-</u>	<u>1,464,295</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>156,688</u>	<u>(278,282)</u>	<u>(15,398)</u>	<u>8,913</u>	<u>(128,079)</u>
Other Financing Sources and (Uses):					
Impact fees	8,312	-	-	-	8,312
Sales of capital assets	15	-	-	-	15
Transfers in	265,809	274,684	57,233	-	597,726
Transfers (out)	(174,840)	-	-	(3,000)	(177,840)
Total other financing sources and (uses)	<u>99,296</u>	<u>274,684</u>	<u>57,233</u>	<u>(3,000)</u>	<u>428,213</u>
Net Change in Fund Balances	<u>255,984</u>	<u>(3,598)</u>	<u>41,835</u>	<u>5,913</u>	<u>300,134</u>
Fund balances - beginning	(100,855)	85,362	(36,869)	22,216	(30,145)
Fund balances - end of year	<u>\$ 155,130</u>	<u>81,763</u>	<u>4,966</u>	<u>28,129</u>	<u>269,989</u>

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

La Verkin City
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 For the Year Ended June 30, 2010

Total Fund Balances for Governmental Funds	<u>\$ 269,989</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	10,386,449
Less accumulated depreciation	<u>(5,610,534)</u>
Net capital assets	<u>4,775,916</u>
Long-term debt, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(1,968,943)</u>
Interest accrued but not yet paid on long-term debt	<u>(43,368)</u>
Compensated absences	<u>(45,317)</u>
Total Net Assets of Governmental Activities	<u><u>\$ 2,988,276</u></u>

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

La Verkin 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	<u>\$ 300,134</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 outlay	24,243
Depreciation expense	<u>(417,709)</u>
Net	<u>(393,466)</u>
<p>Retirement of fixed assets reduces the total fixed assets in the statement of net assets, however, no expenditure or revenue is recognized in the fund statement.</p>	
<p>Book cost of retired assets</p>	
<p>Repayment of long-term debt 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>175,265</u>
<p>Accrued interest and bond issuance costs for long-term debt are not reported as expenditures for the current period, while they are recorded in the statement of activities.</p>	
Change in accrued interest on long-term debt	<u>2,609</u>
<p>Compensated absence 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 absences	<u>(4,542)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 80,000</u></u>

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

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

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ -	31,304	134,527	23,669	-	189,500
Accounts receivable, net	65,269	34,198	6,572	14,409	11,752	132,200
Due from other funds - overdrafts	-	-	42,074	-	-	42,074
Total current assets	<u>65,269</u>	<u>65,502</u>	<u>183,173</u>	<u>38,078</u>	<u>11,752</u>	<u>363,774</u>
Non-current assets:						
Restricted cash and cash equivalents	305,439	-	1,667	-	-	307,106
Capital assets:						
Not being depreciated	839,692	-	540,563	-	12,708	1,392,963
Net of accumulated depreciation	1,240,877	-	290,235	-	140,224	1,671,336
Other non-current assets	17,417	-	-	-	-	17,417
Total non-current assets	<u>2,403,424</u>	<u>-</u>	<u>832,465</u>	<u>-</u>	<u>152,932</u>	<u>3,388,822</u>
Total assets	<u>\$ 2,468,693</u>	<u>65,502</u>	<u>1,015,638</u>	<u>38,078</u>	<u>164,685</u>	<u>3,752,596</u>
LIABILITIES:						
Current liabilities:						
Cash deficit due other funds	\$ 25,799	-	-	-	16,275	42,074
Accounts payable	157,353	63,906	11,489	13,273	8,415	254,436
Customer deposits	67,098	-	-	-	-	67,098
Accrued interest	10,070	-	-	-	-	10,070
Revenue bonds, current portion	54,000	-	-	-	-	54,000
Total current liabilities	<u>314,320</u>	<u>63,906</u>	<u>11,489</u>	<u>13,273</u>	<u>24,690</u>	<u>427,678</u>
Non-current liabilities:						
Revenue bonds, long-term	1,077,000	-	-	-	-	1,077,000
Total non-current liabilities	<u>1,077,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,077,000</u>
Total liabilities	<u>1,391,320</u>	<u>63,906</u>	<u>11,489</u>	<u>13,273</u>	<u>24,690</u>	<u>1,504,678</u>
NET ASSETS:						
Invested in capital assets, net of related debt	949,568	-	830,798	-	152,932	1,933,299
Restricted for:						
Debt service	60,970	-	1,667	-	-	62,637
Unrestricted	66,835	1,596	171,684	24,805	(12,938)	251,982
Total net assets	<u>1,077,373</u>	<u>1,596</u>	<u>1,004,149</u>	<u>24,805</u>	<u>139,995</u>	<u>2,247,918</u>
Total liabilities and net assets	<u>\$ 2,468,693</u>	<u>65,502</u>	<u>1,015,638</u>	<u>38,078</u>	<u>164,685</u>	<u>3,752,596</u>

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

La Verkin City
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Operating income:						
Charges for sales and service	\$ 582,604	401,093	37,683	170,799	143,106	1,335,285
Connection fees	900	-	-	-	-	900
Other operating income	52,061	-	34,828	-	-	86,889
Total operating revenue	<u>635,565</u>	<u>401,093</u>	<u>72,511</u>	<u>170,799</u>	<u>143,106</u>	<u>1,423,075</u>
Operating expenses:						
Personal services	303,957	3,534	43,176	14,469	64,970	430,107
Contracted services	-	382,385	-	148,743	-	531,128
Operating and maintenance	154,094	-	4,456	-	377	158,927
Other supplies and expenses	53,129	-	6,496	-	11,410	71,035
Depreciation expense	122,615	-	8,142	-	6,426	137,183
Total operating expense	<u>633,794</u>	<u>385,920</u>	<u>68,649</u>	<u>163,212</u>	<u>89,184</u>	<u>1,340,759</u>
Net operating income (loss)	<u>1,770</u>	<u>15,173</u>	<u>3,862</u>	<u>7,587</u>	<u>53,922</u>	<u>82,316</u>
Non-operating income (expense):						
Impact fees	1,478	-	1,545	-	2,140	5,163
Interest income	403	-	1,407	-	-	1,810
Interest on long-term debt	(13,578)	-	-	-	-	(13,578)
Total non-operating income (expense)	<u>(11,696)</u>	<u>-</u>	<u>2,952</u>	<u>-</u>	<u>2,140</u>	<u>(6,605)</u>
Income (loss) before contributions and transfers	<u>(9,926)</u>	<u>15,173</u>	<u>6,814</u>	<u>7,587</u>	<u>56,062</u>	<u>75,711</u>
Capital contributions	-	-	-	-	5,354	5,354
Net Transfers - in (out)	(345,326)	-	(2,000)	-	(72,560)	(419,886)
Change in net assets	<u>(355,252)</u>	<u>15,173</u>	<u>4,814</u>	<u>7,587</u>	<u>(11,144)</u>	<u>(338,821)</u>
Net assets, beginning	1,432,625	(13,578)	999,335	17,218	151,139	2,586,739
Net assets, ending	<u>\$ 1,077,373</u>	<u>1,596</u>	<u>1,004,149</u>	<u>24,805</u>	<u>139,995</u>	<u>2,247,918</u>

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

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

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Cash flows from operating activities:						
Cash received from customers - service	\$ 640,428	408,720	71,861	170,998	144,251	1,436,258
Cash paid to suppliers	(107,771)	(384,360)	(14,277)	(160,811)	(16,553)	(683,773)
Cash paid to employees	(295,330)	(3,534)	(47,386)	(14,469)	(66,711)	(427,431)
Net cash provided (used) in operating activities	<u>237,326</u>	<u>20,826</u>	<u>10,198</u>	<u>(4,282)</u>	<u>60,987</u>	<u>325,055</u>
Cash flows from noncapital financing activities:						
Increase (decrease) security deposits	18,150	-	-	-	-	18,150
Transfers in (out)	(345,326)	-	(2,000)	-	(72,560)	(419,886)
Interfund receivables/payables	277,667	-	(42,074)	-	16,003	251,595
Net cash provided (used) in noncapital financing activities	<u>(49,509)</u>	<u>-</u>	<u>(44,074)</u>	<u>-</u>	<u>(56,557)</u>	<u>(150,141)</u>
Cash flows from capital and related financing activities:						
Cash from capital grants	-	-	-	-	5,354	5,354
Cash from impact fees	1,478	-	1,545	-	2,140	5,163
Cash from bond proceeds	720,000	-	-	-	-	720,000
Cash payments for capital assets	(751,188)	-	(72,664)	-	(12,708)	(836,560)
Cash payments for long-term debt	(27,000)	-	-	-	-	(27,000)
Cash payments for bond issue costs	(13,200)	-	-	-	-	(13,200)
Cash payments for interest	(4,667)	-	-	-	-	(4,667)
Net cash provided (used) in capital and related financing activities	<u>(74,576)</u>	<u>-</u>	<u>(71,119)</u>	<u>-</u>	<u>(5,214)</u>	<u>(150,909)</u>
Cash flows from investing activities:						
Cash received from interest earned	403	-	1,407	-	-	1,810
Net cash provided (used) in investing activities	<u>403</u>	<u>-</u>	<u>1,407</u>	<u>-</u>	<u>-</u>	<u>1,810</u>
Net increase (decrease) in cash	113,644	20,826	(103,589)	(4,282)	(784)	25,814
Cash balance, beginning	191,795	10,478	239,783	27,951	784	470,791
Cash balance, ending	<u>\$ 305,439</u>	<u>31,304</u>	<u>136,194</u>	<u>23,669</u>	<u>-</u>	<u>496,606</u>
Cash reported on the balance sheet:						
Cash and cash equivalents	\$ -	31,304	134,527	23,669	-	189,500
Non-current restricted cash	305,439	-	1,667	-	-	307,106
Total cash and cash equivalents	<u>\$ 305,439</u>	<u>31,304</u>	<u>136,194</u>	<u>23,669</u>	<u>-</u>	<u>496,606</u>

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

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

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

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Net operating income (expense)	\$ 1,770	15,173	3,862	7,587	53,922	82,316
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:						
Depreciation and amortization	122,615	-	8,142	-	6,426	137,183
Changes in assets and liabilities:						
(Increase) decrease in receivables	4,863	7,627	(650)	199	1,145	13,183
Increase (decrease) in payables	107,992	(1,975)	(1,157)	(12,068)	(506)	92,287
Net cash provided in operating activity	<u>\$ 237,326</u>	<u>20,826</u>	<u>10,198</u>	<u>(4,282)</u>	<u>60,987</u>	<u>325,055</u>

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

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

La Verkin City (the City), a municipal corporation located in Washington County, Utah, operates under a Mayor-Council 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 because of the significance of their operational or financial relationships with the City.

The City has no component units and is not a component unit of another entity.

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.

La Verkin 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.

La Verkin 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 committed, assigned and unassigned as they are needed. *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 *debt service fund* is used to account for the resources accumulated and payments made for principal and interest on general long-term debt.

The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, necessary for providing services within the City (other than those financed by proprietary funds). Management has elected to present this fund as a major fund.

Proprietary funds

The City reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water distribution system.

The *sewer fund* accounts for the activities of the City's sewer collection operations.

The *irrigation fund* accounts for the activities of the irrigation system.

The *garbage fund* accounts for the activities of the City's garbage utilities.

The *drainage fund* accounts for the activities of the storm drainage system.

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

1-E-1. Deposit and Investments

All of the City's deposits are in demand deposit accounts or in accounts with the Utah Public Treasurers Investments Fund. Deposits are reported at cost, which approximates fair value. Additional information is contained in Note 3.

La Verkin 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. Special assessments receivable are reported at the remaining amount of the initial assessment. No allowance is made for uncollectible accounts as all accounts are deemed collectible.

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 Washington 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.

La Verkin 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 significant 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
Utility systems	25-40
Buildings	40-50
Improvements	15-20
Machinery and equipment	3-10

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.

1-E-8. Compensated Absences

The City has a policy allowing compensated absence benefits to permanent employees for both sick and vacation leave.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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

1-E-9. 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 - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance - Amounts restricted by enabling legislation. Also reported if, (a) externally imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Also includes all remaining amounts that are reported in governmental funds, other than the general fund that are not classified as nonspendable, restricted nor committed or in the General Fund, that are intended to be used for specific purposes.

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.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 Town'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, budget amendments which increase total expenditures must be approved by the City Council following a public hearing. 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

At year end none of the City's funds reported a deficit balance in net asset; however, the Drainage fund did report a deficit balance in unrestricted net assets of \$12,938.

La Verkin 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:

	Fair Value
Cash on hand	\$ 172
Demand deposits	178,828
Reserves and escrow	97,685
Deposits - PTIF	433,587
Total cash	\$ 710,272

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

Cash and cash equivalents (current)	\$ 281,619
Restricted cash and cash equivalents (non-current)	428,653
Total cash and cash equivalents	\$ 710,272

Cash deposits 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.

La Verkin 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. Most deposits of the City are kept in bank demand deposits or PTIF accounts and are available immediately.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations. As noted on the previous page, PTIF is unrated.

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, all of the City's demand 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. The City views its placements of moneys in PTIF as deposits, however, this risk is addressed through the policy of investing most excess monies in PTIF accounts.

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. All receivable amounts are deemed collectible, so there is no allowance. Receivables as of June 30, 2010 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Intergovernmental	\$ 446,258	-	446,258
Special assessments	25,501	-	25,501
Water services	-	81,307	81,307
Sewer services	-	42,388	42,388
Irrigation services	-	8,278	8,278
Garbage services	-	17,821	17,821
Storm drainages services	-	14,823	14,823
Other fees and services	8,921	-	8,921
Allowance for uncollectibles	(1,706)	(32,418)	(34,124)
Total receivables	\$ 478,974	132,200	611,174

La Verkin 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	\$ 920,954	-	-	920,954
Construction in progress	-	18,667	-	18,667
Total capital assets, not being depreciated	<u>920,954</u>	<u>18,667</u>	<u>-</u>	<u>939,621</u>
Capital assets, being depreciated:				
Buildings	1,238,362	-	-	1,238,362
Improvements other than buildings	7,701,709	5,576	-	7,707,285
Machinery and equipment	501,182	-	-	501,182
Total capital assets, being depreciated	<u>9,441,253</u>	<u>5,576</u>	<u>-</u>	<u>9,446,828</u>
Less accumulated depreciation for:				
Buildings	156,553	47,408	-	203,962
Improvements other than buildings	4,661,797	313,875	-	4,975,671
Machinery and equipment	374,475	56,426	-	430,901
Total accumulated depreciation	<u>5,192,825</u>	<u>417,709</u>	<u>-</u>	<u>5,610,534</u>
Total capital assets being depreciated, net	<u>4,248,428</u>	<u>(412,133)</u>	<u>-</u>	<u>3,836,295</u>
Governmental activities capital assets, net	<u>\$ 5,169,382</u>	<u>(393,466)</u>	<u>-</u>	<u>4,775,916</u>

Amount expended for construction on the public works building project is reported as work in process.

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

Governmental activities:	
General government	\$ 34,398
Public safety	29,126
Highways and public improvements	325,943
Parks, recreation and public property	28,242
Total	<u>\$ 417,709</u>

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 586,167	-	-	586,167
Construction in progress	16,200	790,596	-	806,796
Total capital assets, not being depreciated	602,367	790,596	-	1,392,963
Capital assets, being depreciated:				
Water system	2,646,520	-	-	2,646,520
Irrigation system	325,686	-	-	325,686
Drainage system	160,658	-	-	160,658
Machinery and equipment	337,903	-	12,990	324,913
Total capital assets, being depreciated	3,470,767	-	12,990	3,457,777
Less accumulated depreciation for:				
Water system	1,323,515	99,199	-	1,422,714
Irrigation system	27,308	8,142	-	35,450
Drainage system	14,008	6,426	-	20,434
Machinery and equipment	297,416	23,416	12,990	307,842
Total accumulated depreciation	1,662,247	137,183	12,990	1,786,441
Total capital assets being depreciated, net	1,808,519	(137,183)	-	1,671,336
Business-type activities capital assets, net	\$ 2,410,887	653,413	-	3,064,299

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

Business-type activities:	
Water	\$ 122,615
Irrigation	8,142
Drainage	6,426
Total	\$ 137,183

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

3-D. Long-term debt

	Original Principal	%	6/30/2009	Additions	Reductions	6/30/2010	Due Within One Year
<u>Governmental activities:</u>							
2005 Dodge Ram 2500 SLT Matures 12/1/2009	\$ 30,491	4.00	\$ 3,330	-	3,330	-	-
2000 Excise Tax (Street) Matures 5/1/2010	653,879	6.35	84,977	-	84,977	-	-
2005 Real Property Lease Matures 3/1/2015	205,000	4.75	134,901	-	19,958	114,943	20,906
2006 Sales Tax (Street) Matures 7/15/2026	1,093,000	4.71	1,025,000	-	37,000	988,000	38,000
2007 Sales Tax (PWB) Matures 7/15/2027	925,000	4.45	<u>896,000</u>	<u>-</u>	<u>30,000</u>	<u>866,000</u>	<u>31,000</u>
Total governmental activity long-term liabilities			<u>\$2,144,208</u>	<u>-</u>	<u>175,265</u>	<u>1,968,943</u>	<u>89,906</u>

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

	Principal	Interest	Total
2011	\$ 89,906	94,513	184,419
2012	94,899	90,228	185,127
2013	98,939	85,725	184,664
2014	104,029	80,998	185,027
2015	109,170	76,023	185,194
2016 - 2020	485,000	308,805	793,805
2021 - 2025	620,000	172,761	792,761
2026 - 2027	<u>367,000</u>	<u>24,054</u>	<u>391,054</u>
Total	<u>\$1,968,943</u>	<u>933,107</u>	<u>2,902,051</u>

La Verkin 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
Business-type activities:							
1999 Water Revenue Matures 3/1/2024	\$ 640,000	1.00	\$ 438,000	-	27,000	411,000	27,000
2010 Water Revenue Bond Matures 3/1/2030	720,000	2.90	-	720,000	-	720,000	27,000
Total business-type activity long-term liabilities			<u>\$438,000</u>	<u>720,000</u>	<u>27,000</u>	<u>1,131,000</u>	<u>54,000</u>

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2011	\$ 54,000	24,990	78,990
2012	56,000	23,937	79,937
2013	57,000	22,845	79,845
2014	57,000	21,724	78,724
2015	59,000	20,603	79,603
2016 - 2020	312,000	85,025	397,025
2021 - 2025	315,000	52,140	367,140
2026 - 2030	221,000	19,575	240,575
Total	<u>\$1,131,000</u>	<u>270,839</u>	<u>1,401,839</u>

Compensated Absences

The following is a summary of long-term compensated absences at June 30, 2010:

	Beginning	Change	Ending
Compensated absences	<u>\$ 40,775</u>	<u>4,542</u>	<u>45,317</u>

This page intentionally left blank.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

3-E. Obligations under Capital Leases

The City leases four vehicles which are reported as a capital lease. The cost of the asset at acquisition was \$97,896. Depreciation accumulated since acquisition amounts to \$77,674, leaving the carrying value at June 30, 2010 in the amount of \$20,221.

The payments for the leased vehicles have been completed. Lease payments are included in the schedule of long-term debt in Note 3-D.

3-F. Interfund receivables, payables, and transfers

The following table presents the results of transactions occurring between funds that are representative of lending/borrowing arrangements due to overdrafts in the payable funds:

<u>Payable Funds:</u>	<u>Receivable Fund:</u>
	<u>Irrigation</u>
Water	\$ 25,799
Drainage	16,275
Total	<u><u>\$ 42,074</u></u>

Interfund Transfers:

	<u>Transfers In:</u>			
<u>Transfers Out:</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
General	\$ -	164,840	10,000	174,840
Water	251,595	63,698	30,033	345,326
Irrigation	-	-	2,000	2,000
Drainage	11,214	46,146	15,200	72,560
Cemetery	3,000	-	-	3,000
Total	<u><u>\$ 265,809</u></u>	<u><u>274,684</u></u>	<u><u>57,233</u></u>	<u><u>597,726</u></u>

Transfers are used to move unrestricted 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's 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.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

4-B. Employee pension and other benefit plans

Plan Description:

La Verkin City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement Noncontributory System (Public Safety Noncontributory System) for employees with (without) Social Security Coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement System (the 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 System 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:

Plan members are required to contribute 6.0% of their covered salary (all or part may be paid by the employer) to the Contributory System. The City is required to contribute 7.61% of employees' annual covered salary to the Contributory System and 22.61% to the Public Safety Noncontributory. The contribution rates are 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, 2010, 2009, and 2008 were: for the Noncontributory System, \$67,167, \$67,697, and \$91,233, respectively, and for the Public Safety Noncontributory, \$40,344, \$36,930, and \$47,921, respectively. The contributions were equal to the required contributions for each year.

4-C. Rounding Convention

Monetary amounts are displayed in this report after being rounded to the nearest whole dollar. This rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

This page intentionally left blank.

REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

This page intentionally left blank.

La Verkin City
Notes to Required Supplementary Information
June 30, 2010

Budgetary Comparison Schedules

The Budgetary Comparison Schedule presented in this section of the report is for the City's General Fund.

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town 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

None of the City's departments exceeded budgeted appropriations for the year ended June 30, 2010.

La Verkin 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
Revenues				
Taxes	\$ 1,050,000	969,000	985,044	16,044
Licenses and permits	44,000	27,500	27,515	15
Intergovernmental revenues	151,300	210,050	227,845	17,795
Charges for services	30,800	26,800	22,025	(4,775)
Fines and forfeitures	40,000	35,000	31,912	(3,088)
Miscellaneous revenue	32,025	25,825	23,500	(2,325)
Total revenues	1,348,125	1,294,175	1,317,841	23,666
Expenditures				
General government	322,250	343,500	339,894	3,606
Public safety	559,925	591,400	569,439	21,961
Highways and public improvements	147,950	142,399	140,936	1,463
Parks and recreation	116,075	112,725	107,554	5,171
Debt Service:				
Capital lease	4,150	3,331	3,330	1
Total expenditures	1,150,350	1,193,355	1,161,154	32,201
Excess (Deficiency) of Revenues Over(Under) Expenditures	197,775	100,820	156,688	55,868
Other Financing Sources and (Uses):				
Impact fees	16,700	16,700	8,312	(8,388)
Sale of capital assets	1,000	-	15	15
Transfers In	3,000	265,810	265,809	(1)
Transfers Out	(164,840)	(174,840)	(174,840)	-
Total Other Financing Sources and (Uses)	(144,140)	107,670	99,296	(8,374)
Net Change in Fund Balances	53,635	208,490	255,984	47,494
Fund Balances - beginning of year	(100,855)	(100,855)	(100,855)	-
Fund Balances - end of year	\$ (47,220)	107,635	155,130	47,494



MEMBERS:

CHAD B. ATKINSON, CPA	TODD R. HESS, CPA
KRIS J. BRAUNBERGER, CPA	KENNETH A. HINTON, CPA
DEAN R. BURDICK, CPA	MORRIS J. PEACOCK, CPA
ROBERT S. COX, CPA	PHILLIP S. PEINE, CPA
TODD B. FELTNER, CPA	MICHAEL K. SPILKER, CPA
K. MARK FROST, CPA	KEVIN L. STEPHENS, CPA
BRENT R. HALL, CPA	MARK E. TICHENOR, CPA

**Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters
 Based on an Audit of Financial Statements Performed
 in Accordance with *Government Auditing Standards***

Honorable Mayor and
 Members of City Council
 LaVerkin City
 LaVerkin, Utah

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 LaVerkin City, Utah as of and for the year ended June 30, 2010, which collectively comprise LaVerkin City's basic financial statements and have issued our report thereon dated November 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

- 08-1 Reconciliations and Year-End Accounting
- 08-3 Segregation of Duties

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the City in the schedule of findings and recommendations dated November 10, 2010.

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

This report is intended for the information of the Mayor, City Council and management of LaVerkin City and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



HINTON, BURDICK, HALL & SPILKER, PLLC
November 18, 2010



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report on State of Utah Legal Compliance

Honorable Mayor and
Members of City Council
LaVerkin City
Manti, Utah

MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
BRENT R. HALL, CPA

TODD R. HESS, CPA
KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

We have audited the basic financial statements of LaVerkin City, for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. As part of our audit, we have audited LaVerkin City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major 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 testwork 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
Liquor Law Enforcement
Justice Courts
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees
Asset Forfeiture
Utah Retirement System

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

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

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

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



HINTON, BURDICK, HALL & SPILKER, PLLC
November 18, 2010



Findings and Recommendations For the Year Ended June 30, 2010

MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
BRENT R. HALL, CPA

TODD R. HESS, CPA
KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

The Honorable Mayor and
City Council
City of LaVerkin, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of the funds of the City of LaVerkin for the fiscal year ended June 30, 2010, we noted improvements in the City's accounting and budgeting system and wish to commend the City for their achievements. We noted a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

Significant Deficiencies:

08-01. Reconciliations and Year-End Accounting – Prior Year Reworded, Reissued

Finding

During our audit we identified some accounts that had not been reconciled and made recommendations for various journal entries that were necessary to make accruals, adjust balance sheet accounts, and other miscellaneous adjustments. The effect of these journal entries was material to the financial statements. We noted that the City has contracted with an independent accounting firm to assist with the monthly and year-end accounting work and that the number of journal entries recommended was less than the number of entries in prior years. However, current auditing standards indicate that identification of audit adjustments may constitute reporting a significant deficiency.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City continue its efforts with the independent accounting firm to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place. We also wish to remind management that the City should designate an individual or individuals that are responsible for the oversight of the accounting functions and financial statement preparation since these functions will be performed by the independent accounting firm during the upcoming fiscal years.

08-03 Segregation of Duties – Prior Year Reissued

Finding

The City lacks a complete segregation of duties. For example, the same individual is responsible for preparing billings, receiving and recording payments, preparing the deposits, and making adjustments. Proper segregation of duties provides important safeguards and controls to ensure the proper accounting, deposit and disposition of the City's funds. As there are certain mitigating controls, such as review of daily receipts by a supervisor, and detailed review of the general ledger, this finding is not considered a material weakness.

Recommendation

We recommend that the City consider ways that segregation of duties can be achieved within its accounting and administrative functions. We suggest that the person responsible for reviewing reports and transactions not have the capability of authorizing adjustments in that area.

Compliance Findings:

09-01. Municipal Bond Compliance – Prior Year Reissued

Finding

Bonds to pay the costs of constructing, repairing, and maintaining class B or C roads must be redeemable in 10 years. The governing body of any municipality or county may issue bonds redeemable up to a period of ten years under *Title 11, Chapter 14, the Utah Municipal Bond Act*, to pay the costs of constructing, repairing, and maintaining class B or C roads and may pledge class B or C road funds received pursuant to this section to pay principal, interest, premiums, and reserves for the bonds. (*Utah Code, Section 72-2-108*) The 2006 Sales Tax (Streets) Bond issued for the 200 North project is redeemable in 20 years.

Recommendation

We recommend that the City establish procedures to ensure compliance with State laws for issuing bonds related to road projects that are redeemable in no more than 10 years.

07-07. Budget Violations – Prior Year Reworded, Reissued

Finding

The Fiscal Procedures Act for Utah Cities requires Cities to restrict expenditures to the authorized departmental budget. The General Fund "Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual" identifies over-expended departments. The City did much better for fiscal year 2010; however, there was one department with a budget overrun.

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

The City's response to the above Findings and Recommendations is described in the attached letter for submission to the Utah State Auditor's office as required by State law. We did not audit the City's response and, accordingly, we express no opinion on it.

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

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us with this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HINTON, BURDICK, HALL & SPILKER, PLLC
November 10, 2010

This page intentionally left blank.



LA VERKIN CITY

KYLE GUBLER
CITY ADMINISTRATOR

KARL WILSON
MAYOR

PHIL JENSEN
DOUG BEECHER
SCOTT STRATTON
HUGH HOWARD
RAY JUSTICE
COUNCIL MEMBERS

December 30, 2010

Mr. Michael K. Spilker, CPA
63 South 300 East Ste. 100
St. George, UT 84770

City of LaVerkin
Response to Auditor Findings and Recommendations
For the Fiscal Year Ending June 30, 2010

Control Deficiencies:

During the fiscal year ending June 30, 2010, management of the City of LaVerkin continued its efforts to strengthen its internal control over financial reporting and the City's assets.

City management understands:

1. That 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.
2. That a significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements (that is more than inconsequential) will not be prevented or detected by the entity's internal control.
3. That 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 entity's internal control.

Finding 08-01 Reconciliations and Year-End Accounting

This finding, which was reported in the previous year, has been reported as a significant deficiency in the current report. The auditor is required to consider and report any audit adjustment as a significant deficiency if the change in the financial statements made by the adjustment is more than inconsequential. It is a matter of judgment as to whether the amount of an adjustment is more than inconsequential and thus material to the financial statements.

The auditors proposed miscellaneous adjustments and adjustments deemed necessary or prudent in order to make accruals and/or balance sheet accounts. Proposing the entries indicates that, in the judgment of the auditors, the effect of these entries was material to the financial statements. The auditors also report that the number of journal entries recommended was substantially less than the number in the prior year.

Management is continuing its efforts (a) to develop and implement a system of controls facilitating timely, accurate, and necessary adjustments, and (b) to strengthen controls as such necessity is recognized.

08-03 Segregation of Duties

Considering the size of the City and number of employees, management has employed mitigating controls to offset the risks involved where a "complete segregation of duties" is not practicably achievable. In addressing the realities of a small workforce, the City has made an effort to consider ways that the controls involving segregation of duties could be achieved within its accounting and administrative functions. Risks were identified and controls designed to address those risks and the controls were implemented. In each area where there was a functional overlap (one person doing more than one thing) a mitigating control involving management or other second person review was designed. Management is constantly looking for ways to improve its control in this regard. We concur with the suggestion that a person responsible for reviewing reports and transactions not have the capability of authorizing adjustments in that area.

Compliance Findings:

09-01. Municipal Bond Compliance

This is a continued finding. Management has relied upon its professional counsel when issuing long-term debt. The issue in question was a special situation involving the construction of long-term assets. In addition, the State of Utah purchased the bonds. Management feels confident that sufficient controls are in place to address compliance with the State requirements.

07-07. Budget Violations

Management is continuing its focus on budgeting techniques and procedure, is making an effort to adopt budgets that are realistic, and continues to follow up with fiscal discipline to operate within the adopted budget.



Karl Wilson, Mayor