

La Verkin City
Washington County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

La Verkin City
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 June 30, 2012

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Independent Auditors' Report

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, 2012, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of LaVerkin City, Utah as of June 30, 2012, 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 September 27, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
September 27, 2102

MANAGEMENT'S DISCUSSION AND ANALYSIS

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La Verkin City
Management's Discussion and Analysis
June 30, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- *Total net assets for the City as a whole decreased by \$202,706.
- *Total unrestricted net assets for the City as a whole decreased by \$136,028.
- *Total net assets for governmental activities decreased by \$93,748.
- *Total net assets for business-type activities decreased by \$108,957.

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, 2012

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 four major governmental funds, a general fund, debt service fund, capital projects fund and cemetery 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, 2012

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	\$ 807,760	809,439	502,609	591,031	1,310,369	1,400,470
Net capital assets	4,221,253	4,466,556	3,191,268	3,286,092	7,412,521	7,752,648
Total assets	<u>5,029,013</u>	<u>5,275,996</u>	<u>3,693,877</u>	<u>3,877,123</u>	<u>8,722,890</u>	<u>9,153,118</u>
Long-term liabilities	1,826,508	1,922,944	1,273,000	1,339,000	3,099,508	3,261,944
Other liabilities	480,340	537,140	260,417	268,705	740,758	805,845
Total liabilities	<u>2,306,849</u>	<u>2,460,084</u>	<u>1,533,417</u>	<u>1,607,705</u>	<u>3,840,266</u>	<u>4,067,789</u>
Net assets:						
Capital assets, net of related debt	2,394,745	2,543,612	1,918,268	1,947,092	4,313,013	4,490,704
Restricted	203,227	102,282	81,454	71,385	284,681	173,667
Unrestricted	124,192	170,017	160,738	250,941	284,930	420,958
Total net assets	<u>\$ 2,722,164</u>	<u>2,815,912</u>	<u>2,160,460</u>	<u>2,269,418</u>	<u>4,882,624</u>	<u>5,085,329</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 \$4,882,624, a decrease of \$202,705 from the previous year. This change is equivalent to the net loss for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$284,930, which represents a decrease of \$136,028 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 liabilities due, at year end, for goods and services acquired.

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

La Verkin City
Management's Discussion and Analysis
June 30, 2012

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	\$ 71,119	137,166	1,440,436	1,408,126	1,511,555	1,545,292
Operating grants	227,276	247,384	-	-	227,276	247,384
Capital grants	19,641	11,437	-	3,876	19,641	15,313
General revenues:						
Property taxes	419,070	444,726	-	-	419,070	444,726
Sales tax	405,903	379,841	-	-	405,903	379,841
Other taxes	250,098	247,936	-	-	250,098	247,936
Impact fees	20,780	33,248	20,515	37,312	41,295	70,560
Other revenues	66,482	34,845	751	1,545	67,233	36,390
Total revenues	<u>1,480,370</u>	<u>1,536,583</u>	<u>1,461,702</u>	<u>1,450,859</u>	<u>2,942,072</u>	<u>2,987,442</u>
Expenses:						
General government	803,884	787,812	-	-	803,884	787,812
Public safety	512,876	557,094	-	-	512,876	557,094
Streets and public works	201,768	159,500	-	-	201,768	159,500
Parks and recreation	133,524	172,372	-	-	133,524	172,372
Interest on long-term debt	100,567	97,816	-	-	100,567	97,816
Water	-	-	609,587	624,257	609,587	624,257
Sewer	-	-	398,103	378,003	398,103	378,003
Irrigation	-	-	109,996	84,973	109,996	84,973
Garbage	-	-	171,597	174,450	171,597	174,450
Drainage	-	-	102,877	102,029	102,877	102,029
Total expenses	<u>1,752,619</u>	<u>1,774,594</u>	<u>1,392,160</u>	<u>1,363,713</u>	<u>3,144,778</u>	<u>3,138,307</u>
Excess (deficiency)						
before transfers	(272,248)	(238,011)	69,543	87,146	(202,706)	(150,865)
Transfers in (out)	178,500	65,647	(178,500)	(65,647)	-	-
Change in net assets	<u>\$ (93,748)</u>	<u>(172,364)</u>	<u>(108,957)</u>	<u>21,499</u>	<u>(202,706)</u>	<u>(150,865)</u>

For the City as a whole, total revenues decreased by \$45,370 compared to the previous year, while total expenses increased by \$6,472. The total net change of \$202,706 is, in private sector terms, the net loss for the year which is \$51,841 less than the previous year's net change (net loss).

Governmental activities revenues of \$1,480,370 is \$56,212 less than the previous year, while governmental activities expenses of \$1,752,619 is \$21,975 less than the previous year. The most significant differences in revenue were decreases in charges for services as a result of a decrease in building permit fees and court fines, as well as decreased in property taxes. The most significant differences in expenses were increases in streets and public works and general government, with decreases in public safety and parks and recreation.

Business-type activities revenue of \$1,461,702 is \$10,843 more than the previous year. Business-type activities expenses of \$1,392,160 were more than the previous year by \$28,447.

La Verkin City
Management's Discussion and Analysis
June 30, 2012

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 \$248,405 reflects an increase of \$14,230 from the previous year. Total revenues, excluding transfers, amounted to \$1,460,309, representing a decrease of \$120,978 from the previous year. Total expenditures, excluding transfers, amounted to \$1,314,679, representing a decrease of \$60,063 from the previous year. Net transfers of \$131,400 were transferred out of the general fund.

There were no restrictions on fund balance at year-end.

Water Fund

The change in net assets (net loss) was \$64,665, which included a transfers out in the amount of \$103,500. Net assets restricted for debt service amount to \$77,454. Unrestricted net assets amount to \$24,594.

Sewer Fund

The change in net assets (net income) was \$75,11. Unrestricted net assets amount to \$30,282.

Irrigation Fund

There was a decrease in net assets during the year of \$33,050, resulting in an ending balance of \$965,147. Net assets restricted for debt service amount to \$4,000. Unrestricted net assets amount to \$79,984.

Garbage Fund

The change in net assets (net loss) was \$11,345, which included a transfer out of \$20,000. Unrestricted net assets amount to \$15,067.

Drainage Fund

The change in net assets (net loss) was \$7,409, which included a transfer our of \$55,000. Unrestricted net assets amount to \$10,812.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund resources for the year were originally budgeted at \$1,369,700. Subsequent amendments increased the total budgeted revenues to \$1,424,089. Actual revenues amounted to \$1,460,309. While the majority of the different forms of revenue exceeded budgeted amounts, charges for services, miscellaneous revenue, and impact fees were less than budgeted.

General fund expenditures were originally budgeted in the amount of \$1,351,510, which was subsequently increased by amendment to \$1,388,710. Actual expenditures amount to \$1,314,679. While overall expenditures were within the appropriated amount, debt service expenditures exceeded the budgeted amount by \$876.

La Verkin City
Management's Discussion and Analysis
June 30, 2012

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	\$ 935,804	935,804	586,167	586,167	1,521,971	1,521,971
Buildings	1,351,447	1,238,362	-	-	1,351,447	1,238,362
Improvements	7,759,363	7,718,963	-	-	7,759,363	7,718,963
Machinery and equipment	558,881	556,336	336,696	329,871	895,577	886,207
Water system	-	-	3,442,127	3,424,789	3,442,127	3,424,789
Irrigation system	-	-	725,956	325,686	725,956	325,686
Drainage system	-	-	179,258	160,658	179,258	160,658
Construction in progress	-	29,200	-	395,977	-	425,177
Total Capital Assets	10,605,495	10,478,665	5,270,206	5,223,147	15,875,701	15,701,812
Less Accumulated Depreciation	(6,384,242)	(6,012,109)	(2,078,937)	(1,937,055)	(8,463,180)	(7,949,164)
Net Capital Assets	<u>\$ 4,221,253</u>	<u>4,466,556</u>	<u>3,191,268</u>	<u>3,286,092</u>	<u>7,412,521</u>	<u>7,752,648</u>

The total amount of capital assets at year-end, net of depreciation, amount to \$7,412,521. This represents a decrease of \$340,127 from the previous year. The amount of decreases in capital asset balances, net of depreciation, represent the amount that depreciation exceeded new investment in capital assets during the year.

Governmental activities capital assets, net of depreciation, of \$4,221,253 has decreased a net amount of \$245,303 from the previous year. Total depreciation charged for governmental assets during the year was \$392,042.

Business-type activities capital assets, net of depreciation, of \$3,191,268 decreased during the year by \$94,824. Total depreciation charged for business-type assets during the year was \$160,966.

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

La Verkin City
Management's Discussion and Analysis
June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

La Verkin City's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2011 Track Hoe Lease	\$ 23,315	34,007
2011 Land Purchase (LV11)	-	9,900
2005 Real Property Lease	72,138	94,037
2006 Sales Tax (Street)	868,000	950,000
2011 Animal Control Building	95,055	-
2007 Sales Tax (PWB)	768,000	835,000
Total governmental	\$ 1,826,508	1,922,944
Business-type activities:		
1999 Water Revenue	356,000	384,000
2010 Water Revenue	665,000	693,000
2010 Irrigation Revenue	252,000	262,000
Total business-type	\$ 1,273,000	1,339,000
Total long-term debt	\$ 3,099,508	3,261,944

New debt in the amount of \$97,500 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.

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BASIC FINANCIAL STATEMENTS

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La Verkin City
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 183,167	174,508	357,675
Accounts receivable, net	495,254	131,231	626,484
Total current assets	678,421	305,739	984,159
Non-current assets:			
Restricted cash and cash equivalents	129,339	180,642	309,981
Capital assets:			
Not being depreciated	935,804	586,167	1,521,971
Net of accumulated depreciation	3,285,449	2,605,101	5,890,550
Unamortized bond issue costs	-	16,228	16,228
Total non-current assets	4,350,592	3,388,139	7,738,731
Total assets	\$ 5,029,013	3,693,877	8,722,890
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 80,557	110,518	191,075
Accrued liabilities	385	-	385
Accrued interest payable	1,205	7,615	8,820
Customer deposits	10,431	99,188	109,619
Deferred revenue	339,154	-	339,154
Compensated absences - current	25,000	32,585	57,585
Long-term debt - current	37,912	67,000	104,912
Total current liabilities	494,644	316,906	811,550
Non-current liabilities:			
Compensated absences - non-current	23,609	10,511	34,120
Long-term debt - non-current	1,788,596	1,206,000	2,994,596
Total non-current liabilities	1,812,205	1,216,511	3,028,716
Total liabilities	2,306,849	1,533,417	3,840,266
NET ASSETS:			
Invested in capital assets, net of related debt	2,394,745	1,918,268	4,313,013
Restricted:			
Debt service	86,584	81,454	168,038
Cemetery	116,643	-	116,643
Unrestricted	124,192	160,738	284,930
Total net assets	2,722,164	2,160,460	4,882,624
Total liabilities and net assets	\$ 5,029,013	3,693,877	8,722,890

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, 2012

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 803,884	48,731	-	-	(755,153)
Public safety	512,876	-	78,025	-	(434,851)
Streets & public works	201,768	658	147,581	19,641	(33,887)
Parks and recreation	133,524	21,730	1,670	-	(110,124)
Interest on long-term debt	100,567	-	-	-	(100,567)
Total governmental activities	<u>1,752,619</u>	<u>71,119</u>	<u>227,276</u>	<u>19,641</u>	<u>(1,434,582)</u>
Business-type activities:					
Water	609,587	640,982	-	-	31,395
Sewer	398,103	405,615	-	-	7,511
Irrigation	109,996	68,470	-	-	(41,526)
Garbage	171,597	180,252	-	-	8,655
Drainage	102,877	145,118	-	-	42,241
Total business-type activities	<u>1,392,160</u>	<u>1,440,436</u>	<u>-</u>	<u>-</u>	<u>48,276</u>
Total primary government	<u>\$ 3,144,778</u>	<u>1,511,555</u>	<u>227,276</u>	<u>19,641</u>	<u>(1,386,306)</u>

(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, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$ (1,434,582)</u>	<u>48,276</u>	<u>(1,386,306)</u>
General revenues:			
Property taxes	419,070	-	419,070
Sales tax	405,903	-	405,903
Other taxes	250,098	-	250,098
Impact fees	20,780	20,515	41,295
Unrestricted investment earnings	4,091	751	4,842
Miscellaneous	62,391	-	62,391
Total general revenues	<u>1,162,334</u>	<u>21,266</u>	<u>1,183,600</u>
Transfers in (out)	178,500	(178,500)	-
Total general revenues and transfers	<u>1,340,834</u>	<u>(157,234)</u>	<u>1,183,600</u>
Change in net assets	<u>(93,748)</u>	<u>(108,957)</u>	<u>(202,706)</u>
Net assets - beginning	2,815,912	2,269,418	5,085,329
Net assets - ending	<u>\$ 2,722,163</u>	<u>2,160,460</u>	<u>4,882,624</u>

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

La Verkin City
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Debt Service	Capital Projects	Cemetery Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 173,666	-	9,501	-	183,167
Receivables:					
Customer accounts, net	28,813	-	-	723	29,536
Due from other governments	148,046	-	-	-	148,046
Property tax - current levy	317,672	-	-	-	317,672
Restricted cash and cash equivalents	10,735	86,584	-	32,020	129,339
TOTAL ASSETS	<u>\$ 678,932</u>	<u>86,584</u>	<u>9,501</u>	<u>32,743</u>	<u>807,760</u>
LIABILITIES					
Accounts payable	\$ 47,406	-	-	-	47,406
Accrued liabilities	33,536	-	-	-	33,536
Customer deposits	10,431	-	-	-	10,431
Deferred revenues	339,154	-	-	-	339,154
TOTAL LIABILITIES	<u>430,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,526</u>
FUND BALANCES:					
Unspendable:					
Cemetery	-	-	-	19,143	19,143
Restricted for:					
Debt service	-	86,584	-	-	86,584
Cemetery	-	-	-	13,600	13,600
Committed for:					
Capital projects	-	-	9,501	-	9,501
Unassigned	248,405	-	-	-	248,405
TOTAL FUND BALANCES	<u>248,405</u>	<u>86,584</u>	<u>9,501</u>	<u>32,743</u>	<u>377,233</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 678,932</u>	<u>86,584</u>	<u>9,501</u>	<u>32,743</u>	<u>807,760</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, 2012

	General Fund	Debt Service	Capital Projects	Cemetery Fund	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 419,070	-	-	-	419,070
Sales	405,903	-	-	-	405,903
Other taxes	250,098	-	-	-	250,098
Licenses and permits	27,829	-	-	-	27,829
Intergovernmental revenues	235,326	-	11,591	-	246,917
Charges for services	14,538	-	-	7,850	22,388
Fines and forfeitures	20,901	-	-	-	20,901
Interest income	3,470	621	-	-	4,091
Miscellaneous revenue	62,091	-	-	-	62,091
Total revenues	<u>1,439,229</u>	<u>621</u>	<u>11,591</u>	<u>7,850</u>	<u>1,459,290</u>
EXPENDITURES:					
General government	405,274	-	-	-	405,274
Public safety	512,876	-	-	-	512,876
Highways and public improvements	201,768	-	-	-	201,768
Parks, recreation and public property	133,524	-	-	-	133,524
Capital outlay	39,961	-	106,778	-	146,739
Debt service:					
Principal	9,900	173,344	-	-	183,244
Capital lease	10,691	-	-	-	10,691
Interest	685	140,581	-	-	141,266
Total expenditures	<u>1,314,679</u>	<u>313,925</u>	<u>106,778</u>	<u>-</u>	<u>1,735,382</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>124,550</u>	<u>(313,305)</u>	<u>(95,188)</u>	<u>7,850</u>	<u>(276,092)</u>
Other Financing Sources and (Uses):					
Impact fees	20,780	-	-	-	20,780
Sales of capital assets	300	-	-	-	300
Proceeds from long-term debt	-	-	97,500	-	97,500
Transfers in	67,500	313,900	1,000	-	382,400
Transfers (out)	(198,900)	-	-	(5,000)	(203,900)
Total other financing sources and (uses)	<u>(110,320)</u>	<u>313,900</u>	<u>98,500</u>	<u>(5,000)</u>	<u>297,080</u>
Net Change in Fund Balances	<u>14,230</u>	<u>595</u>	<u>3,312</u>	<u>2,850</u>	<u>20,988</u>
Fund balances - beginning	234,175	85,989	6,188	29,893	356,245
Fund balances - end of year	<u>\$ 248,405</u>	<u>86,584</u>	<u>9,501</u>	<u>32,743</u>	<u>377,233</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, 2012

Total Fund Balances for Governmental Funds	<u>\$ 377,233</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	10,605,495
Less accumulated depreciation	<u>(6,384,242)</u>
Net capital assets	<u>4,221,253</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>(1,826,508)</u>
Interest accrued but not yet paid on long-term debt	<u>(1,205)</u>
Compensated absences	<u>(48,609)</u>
Total Net Assets of Governmental Activities	<u><u>\$ 2,722,164</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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 20,988

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

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

Capital outlays	146,739
Depreciation expense	<u>(392,043)</u>
Net	<u>(245,304)</u>

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.

Long-term debt principal repayments 193,936

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Debt proceeds (97,500)

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.

Change in accrued interest on long-term debt 40,699

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Change in compensated absences (6,567)

Change in Net Assets of Governmental Activities \$ (93,748)

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

La Verkin City
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 1,257	64,643	83,487	15,554	9,567	174,508
Accounts receivable, net	70,054	31,210	5,179	13,795	10,993	131,231
Total current assets	<u>71,311</u>	<u>95,853</u>	<u>88,666</u>	<u>29,349</u>	<u>20,560</u>	<u>305,739</u>
Non-current assets:						
Restricted cash and cash equivalents	176,642	-	4,000	-	-	180,642
Capital assets:						
Not being depreciated	118,268	-	467,899	-	-	586,167
Net of accumulated depreciation	1,793,865	-	665,264	-	145,972	2,605,101
Unamortized bond issue costs	16,228	-	-	-	-	16,228
Total non-current assets	<u>2,105,003</u>	<u>-</u>	<u>1,137,164</u>	<u>-</u>	<u>145,972</u>	<u>3,388,139</u>
Total assets	<u>\$ 2,176,315</u>	<u>95,853</u>	<u>1,225,830</u>	<u>29,349</u>	<u>166,531</u>	<u>3,693,877</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 24,820	64,996	3,740	13,707	3,256	110,518
Customer deposits	99,188	-	-	-	-	99,188
Accrued interest	7,615	-	-	-	-	7,615
Compensated absences - current	20,000	575	4,943	575	6,492	32,585
Revenue bonds - current	57,000	-	10,000	-	-	67,000
Total current liabilities	<u>208,623</u>	<u>65,571</u>	<u>18,683</u>	<u>14,282</u>	<u>9,748</u>	<u>316,906</u>
Non-current liabilities:						
Compensated absences - non-current	10,511	-	-	-	-	10,511
Revenue bonds - non-current	964,000	-	242,000	-	-	1,206,000
Total non-current liabilities	<u>974,511</u>	<u>-</u>	<u>242,000</u>	<u>-</u>	<u>-</u>	<u>1,216,511</u>
Total liabilities	<u>1,183,134</u>	<u>65,571</u>	<u>260,683</u>	<u>14,282</u>	<u>9,748</u>	<u>1,533,417</u>
NET ASSETS:						
Invested in capital assets, net of related debt	891,133	-	881,164	-	145,972	1,918,268
Restricted for:						
Debt service	77,454	-	4,000	-	-	81,454
Unrestricted	24,594	30,282	79,984	15,067	10,812	160,738
Total net assets	<u>993,181</u>	<u>30,282</u>	<u>965,147</u>	<u>15,067</u>	<u>156,784</u>	<u>2,160,460</u>
Total liabilities and net assets	<u>\$ 2,176,315</u>	<u>95,853</u>	<u>1,225,830</u>	<u>29,349</u>	<u>166,531</u>	<u>3,693,877</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 FUNDS
For the Year Ended June 30, 2012

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Operating income:						
Charges for sales and service	\$ 586,967	405,615	41,331	180,252	145,118	1,359,282
Connection fees	275	-	450	-	-	725
Other operating income	53,740	-	26,689	-	-	80,429
Total operating revenue	<u>640,982</u>	<u>405,615</u>	<u>68,470</u>	<u>180,252</u>	<u>145,118</u>	<u>1,440,436</u>
Operating expenses:						
Personnel services	209,229	12,881	51,247	14,994	76,679	365,030
Contracted services	-	385,222	-	156,603	-	541,825
Operating and maintenance	185,963	-	9,507	-	102	195,573
Other supplies and expenses	52,641	-	25,530	-	13,058	91,229
Depreciation expense	137,440	-	17,100	-	6,426	160,966
Total operating expense	<u>585,273</u>	<u>398,103</u>	<u>109,996</u>	<u>171,597</u>	<u>102,877</u>	<u>1,367,846</u>
Net operating income (loss)	<u>55,709</u>	<u>7,511</u>	<u>(41,526)</u>	<u>8,655</u>	<u>42,241</u>	<u>72,590</u>
Non-operating income (expense):						
Impact fees	7,440	-	7,725	-	5,350	20,515
Interest income	-	-	751	-	-	751
Interest on long-term debt	(24,314)	-	-	-	-	(24,314)
Total non-operating income (expense)	<u>(16,874)</u>	<u>-</u>	<u>8,476</u>	<u>-</u>	<u>5,350</u>	<u>(3,048)</u>
Income (loss) before capital contributions and transfers	<u>38,835</u>	<u>7,511</u>	<u>(33,050)</u>	<u>8,655</u>	<u>47,591</u>	<u>69,543</u>
Net Transfers - in (out)	(103,500)	-	-	(20,000)	(55,000)	(178,500)
Change in net assets	<u>(64,665)</u>	<u>7,511</u>	<u>(33,050)</u>	<u>(11,345)</u>	<u>(7,409)</u>	<u>(108,957)</u>
Net assets, beginning	1,057,845	22,770	998,197	26,412	164,193	2,269,418
Net assets, ending	<u>\$ 993,181</u>	<u>30,282</u>	<u>965,147</u>	<u>15,067</u>	<u>156,784</u>	<u>2,160,460</u>

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

La Verkin City
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Cash flows from operating activities:						
Cash received from customers-service	\$ 635,772	407,172	69,826	180,661	145,557	1,438,989
Cash paid to suppliers	(253,105)	(383,318)	(43,942)	(155,853)	(20,295)	(856,514)
Cash paid to employees	(215,403)	(12,574)	(50,979)	(15,667)	(79,628)	(374,252)
Net cash provided (used) in operating activities	<u>167,263</u>	<u>11,280</u>	<u>(25,095)</u>	<u>9,141</u>	<u>45,633</u>	<u>208,222</u>
Cash flows from noncapital financing activities:						
Increase (decrease) security deposits	15,962	-	-	-	-	15,962
Transfers in (out)	(103,500)	-	-	(20,000)	(55,000)	(178,500)
Net cash provided (used) in noncapital financing activities	<u>(87,538)</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(55,000)</u>	<u>(162,538)</u>
Cash flows from capital and related financing activities:						
Cash from impact fees	7,440	-	7,725	-	5,350	20,515
Cash payments for capital assets	(35,917)	-	(30,224)	-	-	(66,142)
Cash payments for long-term debt	(56,000)	-	(10,000)	-	-	(66,000)
Cash payments for bond issue costs	741	-	-	-	-	741
Cash payments for interest	(24,678)	-	-	-	-	(24,678)
Net cash provided (used) in capital and related financing activities	<u>(108,414)</u>	<u>-</u>	<u>(32,499)</u>	<u>-</u>	<u>5,350</u>	<u>(135,564)</u>
Cash flows from investing activities:						
Cash received from interest earned	-	-	751	-	-	751
Net cash provided (used) in investing activities	<u>-</u>	<u>-</u>	<u>751</u>	<u>-</u>	<u>-</u>	<u>751</u>
Net increase (decrease) in cash	<u>(28,689)</u>	<u>11,280</u>	<u>(56,843)</u>	<u>(10,859)</u>	<u>(4,017)</u>	<u>(89,128)</u>
Cash balance, beginning	206,589	53,363	144,331	26,412	13,583	444,278
Cash balance, ending	<u>\$ 177,899</u>	<u>64,643</u>	<u>87,487</u>	<u>15,554</u>	<u>9,567</u>	<u>355,150</u>
Cash reported on the balance sheet:						
Cash and cash equivalents	\$ 1,257	64,643	83,487	15,554	9,567	174,508
Non-current restricted cash	176,642	-	4,000	-	-	180,642
Total cash and cash equivalents	<u>\$ 177,899</u>	<u>64,643</u>	<u>87,487</u>	<u>15,554</u>	<u>9,567</u>	<u>355,150</u>

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

La Verkin City
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

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

	Water Fund	Sewer Fund	Irrigation Fund	Garbage Fund	Drainage Fund	Total Enterprise Funds
Net operating income (loss)	<u>\$ 55,709</u>	<u>7,511</u>	<u>(41,526)</u>	<u>8,655</u>	<u>42,241</u>	<u>72,590</u>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:						
Depreciation and amortization	137,440	-	17,100	-	6,426	160,966
Changes in assets and liabilities:						
(Increase) decrease in receivables	(5,210)	1,557	1,357	410	439	(1,447)
Increase (decrease) in payables	<u>(20,676)</u>	<u>2,211</u>	<u>(2,025)</u>	<u>77</u>	<u>(3,473)</u>	<u>(23,886)</u>
Net cash provided (used) in operating activities	<u><u>\$ 167,263</u></u>	<u><u>11,280</u></u>	<u><u>(25,095)</u></u>	<u><u>9,141</u></u>	<u><u>45,633</u></u>	<u><u>208,222</u></u>

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

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

La Verkin City (the City), a municipal corporation located in Washington, 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, 2012

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

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

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

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Policy regarding use of restricted resources

When restricted, committed, assigned and unassigned 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* is used to account for resources restricted or designated for the acquisition or construction of specific capital projects or items.

The *cemetery fund* accounts for the assets held by the City to provide for the perpetual care of the cemetery.

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 City's 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, 2012

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

1-E-2. Cash and Cash Equivalents

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

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Special assessments receivable are reported at the remaining amount of the initial assessment. An allowance is made for uncollectible accounts for balances over 90 days past due.

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, 2012

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

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual 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 & 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, 2012

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- the City Council. A vote by the City Council members is required to establish and modify or rescind a fund balance commitment.

Assigned fund balance - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Mayor is authorized to assign amounts to a specific purpose in accordance with the City's policy.

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, 2012

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 fund balance in net assets.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

	<u>Fair Value</u>
Cash on hand	\$ 220
Demand deposits	99,799
Reserves and escrow	97,092
Deposits - PTIF	470,545
Total cash	\$ 667,656

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

Cash and cash equivalents (current)	\$ 357,675
Restricted cash and cash equivalents (non-current)	309,981
Total cash and cash equivalents	\$ 667,656

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, 2012

3-A. Deposits and investments (continued)

Deposit and Investment Risk

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

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. 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, 2012, 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. Receivables as of June 30, 2012 for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Intergovernmental	\$ 465,718	-	465,718
Special assessments	21,482	-	21,482
Water services	-	100,061	100,061
Sewer services	-	44,568	44,568
Irrigation services	-	7,370	7,370
Garbage services	-	19,699	19,699
Storm drainage services	-	15,698	15,698
Other fees and services	11,192	-	11,192
Less: Allowance for uncollectibles	(3,138)	(56,165)	(59,303)
Total receivables	\$ 495,254	131,231	626,484

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 935,804	-	-	935,804
Construction in progress	29,200	124,285	153,485	-
Total capital assets, not being depreciated	<u>965,004</u>	<u>124,285</u>	<u>153,485</u>	<u>935,804</u>
Capital assets, being depreciated:				
Buildings	1,238,362	113,085	-	1,351,447
Improvements other than buildings	7,718,963	40,400	-	7,759,363
Machinery and equipment	556,336	22,454	19,909	558,881
Total capital assets, being depreciated	<u>9,513,661</u>	<u>175,939</u>	<u>19,909</u>	<u>9,669,691</u>
Less accumulated depreciation for:				
Buildings	251,370	49,482	-	300,851
Improvements other than buildings	5,289,718	318,074	-	5,607,792
Machinery and equipment	471,021	24,487	19,909	475,599
Total accumulated depreciation	<u>6,012,109</u>	<u>392,042</u>	<u>19,909</u>	<u>6,384,242</u>
Total capital assets being depreciated, net	<u>3,501,552</u>	<u>(216,103)</u>	<u>-</u>	<u>3,285,449</u>
Governmental activities capital assets, net	<u>\$ 4,466,556</u>	<u>(91,818)</u>	<u>153,485</u>	<u>4,221,253</u>

Amount expended for construction on the 100 East Road 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	\$ 25,167
Public safety	11,144
Highways and public improvements	322,327
Parks, recreation and public property	33,405
Total	<u>\$ 392,043</u>

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3-C. Capital assets (continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 586,167	-	-	586,167
Construction in progress	395,977	40,232	436,209	-
Total capital assets, not being depreciated	<u>982,144</u>	<u>40,232</u>	<u>436,209</u>	<u>586,167</u>
Capital assets, being depreciated:				
Water system	3,424,789	17,338	-	3,442,127
Irrigation system	325,686	400,271	-	725,956
Drainage system	160,658	18,600	-	179,258
Machinery and equipment	329,871	25,909	19,083	336,696
Total capital assets, being depreciated	<u>4,241,003</u>	<u>462,118</u>	<u>19,083</u>	<u>4,684,038</u>
Less accumulated depreciation for:				
Water system	1,545,992	130,686	-	1,676,677
Irrigation system	43,592	17,100	-	60,692
Drainage system	26,860	6,426	-	33,287
Machinery and equipment	320,611	6,754	19,083	308,281
Total accumulated depreciation	<u>1,937,055</u>	<u>160,966</u>	<u>19,083</u>	<u>2,078,937</u>
Total capital assets being depreciated, net	<u>2,303,948</u>	<u>301,153</u>	<u>-</u>	<u>2,605,101</u>
Business-type activities capital assets, net	<u>\$ 3,286,092</u>	<u>341,385</u>	<u>436,209</u>	<u>3,191,268</u>

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

Business-type activities:	
Water	\$ 137,440
Irrigation	17,100
Drainage	6,426
Total	<u>\$ 160,966</u>

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

3-D. Long-term debt

	Original Principal	%	6/30/2011	Additions	Reductions	6/30/2012	Due Within One Year
<u>Governmental activities:</u>							
2011 Trackhoe Lease Matures 11/20/2014	\$ 42,871	0.02	\$ 34,007	-	10,691	23,315	10,080
2011 Land Purchase (LV11) Matures 3/1/2013	14,850	-	9,900	-	9,900	-	-
2005 Real Property Lease Matures 3/1/2015	205,000	4.75	94,037	-	21,899	72,138	22,939
2006 Sales Tax (Street) Matures 7/15/2026	1,093,000	4.71	950,000	-	82,000	868,000	-
2011 Animal Control Building Matures 9/1/2026	97,500	3.67-4.23	-	97,500	2,445	95,055	4,893
2007 Sales Tax (PWB) Matures 7/15/2027	925,000	4.45	835,000	-	67,000	768,000	-
Compensated absences			42,042	26,571	20,005	48,609	25,000
Total governmental activity long-term liabilities			<u>\$1,964,986</u>	<u>124,071</u>	<u>213,940</u>	<u>1,875,117</u>	<u>62,912</u>

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

	Principal	Interest	Total
2013	\$ 37,912	47,822	85,734
2014	119,418	84,713	204,131
2015	117,439	79,358	196,797
2016	93,548	73,890	167,437
2017	97,785	69,417	167,202
2018 - 2022	566,852	269,336	836,188
2023 - 2027	722,554	110,826	833,380
2028 - 2032	71,000	1,811	72,811
Total	<u>\$1,826,508</u>	<u>737,172</u>	<u>2,563,681</u>

La Verkin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2011	Additions	Reductions	6/30/2012	Due Within One Year
<u>Business-type activities:</u>							
1999 Water Revenue Matures 3/1/2024	\$ 640,000	1.00	\$ 384,000	-	28,000	356,000	28,000
2010 Water Revenue Bond Matures 3/1/2030	720,000	2.90	693,000	-	28,000	665,000	29,000
2010 Irrigation Water Revenue Bond Matures 5/1/2035	272,000	-	262,000	-	10,000	252,000	10,000
Compensated absences			44,888	23,563	25,357	43,094	32,585
Total business-type activity long-term liabilities			<u>\$1,383,888</u>	<u>23,563</u>	<u>91,357</u>	<u>1,316,094</u>	<u>99,585</u>

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

	Principal	Interest	Total
2013	\$ 67,000	22,845	89,845
2014	67,000	21,724	88,724
2015	69,000	20,603	89,603
2016	70,000	19,443	89,443
2017	71,000	18,254	89,254
2018 - 2022	377,000	72,360	449,360
2023 - 2027	321,000	38,708	359,708
2028 - 2032	195,000	7,975	202,975
2033 - 2035	36,000	-	36,000
Total	<u>\$1,273,000</u>	<u>221,912</u>	<u>1,494,912</u>

La Verkin City
NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

3-E. Capital Lease

The City leases a track hoe which is reported as a capital lease. The cost of the asset at acquisition was \$42,871. Depreciation accumulated since acquisition amounts to \$16,077, leaving the carrying value at June 30, 2012 in the amount of \$26,794.

The lease requires monthly payments of \$871.70 with related interest at .02%.

The scheduled payments are as follows:

	Principal	Interest	Total
2013	\$ 10,080	381	10,461
2014	10,287	174	10,461
2015	2,948	11	2,959
Total	\$ 23,315	566	23,881

Lease payments are included in the schedule of long-term debt in Note 3-D.

3-F. Interfund Balances and Transfers

During the year the following net transfers were made between funds:

	Transfers In	Transfers Out
General fund	\$ 67,500	198,900
Debt service fund	313,900	-
Capital projects fund	1,000	-
Cemetery fund	-	5,000
Water fund	-	103,500
Garbage fund	-	20,000
Drainage fund	-	55,000
Total	\$ 382,400	382,400

Transfers were used to (1) move revenues from the general fund to the debt service fund where statute or budget required, and (2) move funds from the water and sewer funds as budgeted operating fund transfers.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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.

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 Tier 1. The City is required to contribute 9.76% of employees' annual covered salary to the Noncontributory System Tier 1, 12.40% to the Noncontributory Tier 2, and 27.07% 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, 2012, 2011, and 2010 were: for the Noncontributory System, \$83,569, \$80,000, and \$66,100, respectively, and for the Public Safety Noncontributory, \$50,979, \$47,012, and \$39,521, respectively. The contributions were equal to the required contributions for each year.

IRC Code Section 401k Plan:

The City participates in a 401k plan offered through the Utah State Retirement Systems. The City's contributions for the years ending June 30, 2012, 2011 and 2010 were \$21,749, \$18,955 and \$20,365, respectively. The contributions were equal to the required contributions for each year.

La Verkin City
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

4-C. Rounding Convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, 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.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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La Verkin City
Notes to Required Supplementary Information
June 30, 2012

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures for debt service exceeded appropriations by \$876.

La Verkin City
**SCHEDULE OF REVENUES, EXPENDITUES AND
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 (Unaudited)**

For the Year Ended June 30, 2012

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,012,000	1,027,189	1,075,072	47,883
Licenses and permits	29,500	26,500	27,829	1,329
Intergovernmental revenues	210,000	218,000	235,326	17,326
Charges for services	28,800	27,800	14,538	(13,262)
Fines and forfeitures	40,000	20,000	20,901	901
Interest	3,500	2,500	3,470	970
Miscellaneous revenue	13,800	77,500	62,091	(15,409)
Total revenues	1,337,600	1,399,489	1,439,229	39,740
Expenditures				
General government	452,200	448,600	422,780	25,820
Public safety	537,350	560,650	535,330	25,320
Highways and public improvements	210,700	211,350	201,768	9,582
Parks and recreation	143,260	147,710	133,524	14,186
Debt Service:				
Principal	-	9,900	9,900	-
Capital lease	8,000	10,500	10,691	(191)
Interest	-	-	685	(685)
Total expenditures	1,351,510	1,388,710	1,314,679	74,032
Excess (Deficiency) of Revenues Over(Under) Expenditures	(13,910)	10,779	124,550	113,771
Other Financing Sources and (Uses):				
Impact fees	32,100	24,100	20,780	(3,320)
Sales of capital assets	-	500	300	(200)
Proceeds from long-term debt	-	-	-	-
Transfers In	67,500	67,500	67,500	-
Transfers Out	(125,500)	(198,900)	(198,900)	-
Total Other Financing Sources and (Uses)	(25,900)	(106,800)	(110,320)	(3,520)
Net Change in Fund Balances	(39,810)	(96,021)	14,230	110,251
Fund Balances - beginning of year	234,175	234,175	234,175	-
Fund Balances - end of year	\$ 195,175	138,154	248,405	110,251



**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, 2012, which collectively comprise LaVerkin City's basic financial statements and have issued our report thereon dated September 27, 2012. 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

Management of LaVerkin City is responsible for establishing and maintaining effective 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 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 a significant deficiency in internal control over financial reporting.

08-03. Segregation of Duties – Prior Year Reissued

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 September 27, 2012.

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.



HintonBurdick, PLLC
September 27, 2012



**Independent Auditors' Report on Compliance in Accordance with the
*State of Utah Legal Compliance Audit Guide***

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

We have audited LaVerkin City's compliance with general compliance requirements described the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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
URS Compliance
Fund Balance

The City did not receive any major or nonmajor State grants during the year ended June 30, 2012.

The City received the following major assistance programs from the State of Utah:

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

Compliance with the requirements referred to above is the responsibility of the City's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance

requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we have considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, LaVerkin City complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated September 27, 2012 as items 12-01, 12-02, and 09-01.

Management'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 solely for the information and use of the Mayor, City Council and of LaVerkin City, the office of the Utah State Auditor and other specified parties as applicable and is not intended and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



HintonBurdick, PLLC
September 27, 2012



**Findings and Recommendations
 For the Year Ended June 30, 2012**

The Honorable Mayor and
 City Council
 LaVerkin City, 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, 2012 we noted improvements in the City’s accounting and budgeting system and wish to commend the City for their achievements. We noted several areas needing corrective action in order for the City to be in compliance with laws and regulations and we found one circumstances that, if improved, would strengthen the City’s accounting system and control over its assets. These items are discussed below for your consideration.

Internal Control over Financial Reporting:

Significant Deficiencies:

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 and Other Matters:

Compliance Findings:

12-01. Fund Balance Limitations

Finding

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance. It appears that in the FY13 budget the City's appropriation was greater than the amount allowable.

Recommendation

We recommend that the City review the fund balance requirements prior to establishing the budget to ensure that all appropriations are allowable.

Other Matters:

None noted

The City's response to the above Findings and Recommendations is described in a separate 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,



HintonBurdick, PLLC
September 27, 2012



LA VERKIN CITY

KYLE GUBLER
CITY ADMINISTRATOR

KARL WILSON
MAYOR

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

10/31/12

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

Response to Findings and Recommendations

08-03. Segregation of Duties

Considering the size of the City and number of employees, management has, as the auditors have noted, 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.

12-01 Fund Balance Limitations

Future Budgeted appropriation of fund balance will be kept to the amount then-available, as provided by regulations.

Sincerely,

Karl Wilson
Mayor