

Moab City Corporation
Grand County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

Moab City Corporation
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June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor
Members of the City Council
Moab, 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 Moab City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Moab City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2104 on our consideration of Moab City's internal control 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moab City's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3–11 and 43–44 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.



Larson & Company, PC

Spanish Fork, Utah

October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

As management of Moab City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- *Total net position for the City as a whole increased by \$511,621.
- *Total unrestricted net position for the City as a whole increased by \$613,503.
- *Total net position for governmental activities increased by \$253,733.
- *Total net position for business-type activities increased by \$257,887.

BASIC FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

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

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

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

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

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

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

FINANCIAL ANALYSIS

Moab City Corporation's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 4,155,249	3,716,740	4,721,759	4,453,360	8,877,007	8,170,100
Net capital assets	17,511,397	18,026,870	6,485,584	6,479,853	23,996,980	24,506,723
Total assets	<u>21,666,645</u>	<u>21,743,610</u>	<u>11,207,342</u>	<u>10,933,213</u>	<u>32,873,988</u>	<u>32,676,823</u>
Current liabilities	747,224	670,061	73,308	57,066	820,532	727,128
Long-term liabilities	5,643,000	6,050,861	-	-	5,643,000	6,050,861
Total liabilities	<u>6,390,224</u>	<u>6,720,922</u>	<u>73,308</u>	<u>57,066</u>	<u>6,463,532</u>	<u>6,777,988</u>
Net position:						
Net investment in capital assets	11,868,397	11,976,010	6,485,584	6,479,853	18,353,980	18,455,863
Restricted	80,836	80,836	2,413,127	2,413,127	2,493,963	2,493,963
Unrestricted	3,327,189	2,965,842	2,235,324	1,983,167	5,562,513	4,949,010
Total net position	<u>\$ 15,276,421</u>	<u>15,022,688</u>	<u>11,134,035</u>	<u>10,876,147</u>	<u>26,410,456</u>	<u>25,898,835</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities and deferred inflows at the close of the year by \$26,410,456, an increase of \$511,621 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$5,562,513, which represents an increase of \$613,503 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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

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

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

FINANCIAL ANALYSIS (continued)

Moab City Corporation's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 1,762,655	1,582,289	1,568,967	1,519,900	3,331,622	3,102,189
Operating grants	214,807	207,936	-	-	214,807	207,936
Capital grants	575,877	376,989	12,346	-	588,223	376,989
General revenues:						
Sales tax	1,559,020	1,491,497	-	-	1,559,020	1,491,497
Other taxes	4,653,190	4,391,831	-	-	4,653,190	4,391,831
Other revenues	222,571	308,659	274,057	191,493	496,629	500,152
Total revenues	<u>8,988,119</u>	<u>8,359,200</u>	<u>1,855,370</u>	<u>1,711,394</u>	<u>10,843,489</u>	<u>10,070,594</u>
Expenses:						
General government	2,229,657	2,151,176	-	-	2,229,657	2,151,176
Public safety	2,363,296	2,354,181	-	-	2,363,296	2,354,181
Highways and improvements	2,253,083	2,356,172	-	-	2,253,083	2,356,172
Parks and recreation	2,256,605	2,085,235	-	-	2,256,605	2,085,235
Interest on long-term debt	41,745	41,613	-	-	41,745	41,613
Water, sewer and storm drain	-	-	1,187,483	1,103,711	1,187,483	1,103,711
Total expenses	<u>9,144,386</u>	<u>8,988,376</u>	<u>1,187,483</u>	<u>1,103,711</u>	<u>10,331,869</u>	<u>10,092,088</u>
Excess (deficiency) before transfers and contributions	(156,267)	(629,176)	667,887	607,683	511,621	(21,494)
Transfers	(410,000)	(410,000)	410,000	410,000	-	-
Change in net position	<u>\$ 253,733</u>	<u>(219,176)</u>	<u>257,887</u>	<u>197,683</u>	<u>511,621</u>	<u>(21,494)</u>

Total revenues increased by \$772,895, while total expenses increased by \$239,781. The total net increase for the year of \$511,621 is an increase from the previous year of \$533,114.

Governmental activities revenues of \$8,988,119 is an increase of \$628,919 from the previous year. This is primarily due to an increase in revenues from grants compared to the previous year. Governmental activities expenses of \$9,144,386 is an increase of \$156,009 from the previous year. While spending within the the highways and improvements department decreased during the year, spending within all other departments increased.

Business-type activities revenues of \$1,855,370 is an increase of \$143,976 from the previous year. Business-type activities expenses of \$1,187,483 is an decrease of \$83,772 from the previous year.

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$2,185,911 reflects an increase of \$414,561 from the previous year. Total revenues increased by \$481,944. Tax revenues increased by \$328,882. Revenue from charges for services increased by \$42,377. All other revenues increased by \$110,685.

Total expenditures, excluding transfers out, decreased by \$69,251. Expenditure changes from the previous year, by department, were: general government increased by \$19,823; public safety decreased by \$2,430; streets and highways decreased by \$112,853; and parks and recreation increased by \$14,849. Capital outlay expenditures increased by \$6,057. Expenditures for principal increased by \$5,748, while expenditures for interest decreased by \$445.

The fund balance restricted for Class C roads is \$80,836. The unassigned fund balance amounts to \$2,105,075.

Capital Projects Fund

The fund balance of \$1,521,159 reflects a decrease of \$3,146 from the previous year. Total revenue, excluding transfers, increased by \$186,485. In the prior year, revenues from grants were lower. Expenses increased during the year by \$298,461.

Water and Sewer Fund

Net income amounted to \$165,162, which is an increase of \$63,326 from the previous year net income. The amount restricted for construction is \$2,413,127. Unrestricted net position amounts to \$1,118,954.

Storm Drain Fund

The change in net position (net income) was \$92,725. Unrestricted net position amounts to \$1,116,370.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$7,738,786. Budgeted revenues were amended during the year to \$7,776,228. Actual revenues amounted to \$8,217,789.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$8,010,725. Budgeted expenditures were amended during the year to \$8,048,067. Actual expenditures amounted to \$7,439,892.

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Moab City Corporation's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and water rights	\$ 476,884	476,884	262,935	262,935	739,819	739,819
Buildings	10,341,483	10,644,403	-	-	10,341,483	10,644,403
Improvements other than buildings	2,032,155	2,205,096	-	-	2,032,155	2,205,096
Machinery and equipment	1,720,838	1,900,046	413,911	430,451	2,134,748	2,330,497
Infrastructure	2,577,978	2,566,147	-	-	2,577,978	2,566,147
Water system	-	-	2,244,897	2,320,273	2,244,897	2,320,273
Sewer system	-	-	3,172,680	3,292,842	3,172,680	3,292,842
Work in progress	362,059	234,295	391,160	173,351	753,219	407,646
Totals	<u>\$ 17,511,397</u>	<u>18,026,870</u>	<u>6,485,584</u>	<u>6,479,853</u>	<u>23,996,980</u>	<u>24,506,723</u>

The total amount of capital assets, net of depreciation, of \$23,996,980 is a decrease of \$509,743 from the previous year.

Governmental activities capital assets, net of depreciation, of \$17,511,397 is a decrease of \$515,474 from the previous year.

Business-type activities capital assets, net of depreciation, of \$6,485,584 is an increase of \$5,731 from the previous year.

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

Moab City Corporation's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2011 Equipment Lease	\$ -	21,458
2009 Equipment Lease	-	58,695
2010 Refinance Vehicles	-	63,708
2003 Sales Tax Revenue	1,452,000	1,525,000
2009 Sales Tax Revenue	4,191,000	4,382,000
Total outstanding debt	<u>\$ 5,643,000</u>	<u>6,050,861</u>

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

Moab City Corporation
Management's Discussion and Analysis
June 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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Moab City Corporation
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 3,301,175	3,859,739	7,160,914
Accounts receivable, net of allowances	100,272	113,620	213,892
Due from other governments	640,165	-	640,165
Other current assets	27,747	-	27,747
Total current assets	4,069,358	3,973,359	8,042,717
Non-current assets:			
Restricted cash and cash equivalents	85,890	748,400	834,290
Capital assets:			
Not being depreciated	838,943	654,096	1,493,038
Net of accumulated depreciation	16,672,454	5,831,488	22,503,942
Total non-current assets	17,597,287	7,233,984	24,831,271
Total assets	\$ 21,666,645	11,207,342	32,873,988
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	309,142	15,881	325,024
Customer security deposits	-	3,675	3,675
Accrued interest payable	27,225	-	27,225
Revenue bond due within one year	266,000	-	266,000
Total current liabilities	602,367	19,556	621,924
Non-current liabilities:			
Compensated absences	410,857	53,751	464,608
Revenue bonds due after one year	5,377,000	-	5,377,000
Total non-current liabilities	5,787,857	53,751	5,841,608
Total liabilities	6,390,224	73,308	6,463,532
NET POSITION:			
Net investment in capital assets	11,868,397	6,485,584	18,353,980
Restricted:			
Class C roads	80,836	-	80,836
Construction	-	2,413,127	2,413,127
Unrestricted	3,327,189	2,235,324	5,562,513
Total net position	15,276,421	11,134,035	26,410,456
Total liabilities and net position	\$ 21,666,645	11,207,342	32,873,988

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

Moab City Corporation
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
Administration	\$ 2,229,657	1,292,046	-	54,218	(883,392)
Public safety	2,363,296	21,578	28,104	-	(2,313,613)
Streets and highways	2,253,083	-	186,602	-	(2,066,480)
Parks and recreation	2,256,605	449,030	100	521,659	(1,285,816)
Interest on long-term debt	41,745	-	-	-	(41,745)
Total governmental activities	<u>9,144,386</u>	<u>1,762,655</u>	<u>214,807</u>	<u>575,877</u>	<u>(6,591,047)</u>
Business-type activities:					
Water and sewer utilities	1,172,706	1,428,811	-	259,894	515,999
Storm drain utility	14,777	140,156	-	12,346	137,725
Total business-type activities	<u>1,187,483</u>	<u>1,568,967</u>	<u>-</u>	<u>272,240</u>	<u>653,725</u>
Total primary government	<u>\$ 10,331,869</u>	<u>3,331,622</u>	<u>214,807</u>	<u>848,117</u>	<u>(5,937,323)</u>

(The statement of activities
continues on following page)

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

Moab City Corporation
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2014

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ (6,591,047)</u>	<u>653,725</u>	<u>(5,937,323)</u>
General revenues:			
Sales tax	1,559,020	-	1,559,020
Other taxes	4,653,190	-	4,653,190
Unrestricted investment earnings	30,398	14,163	44,561
Miscellaneous	192,174	-	192,174
Transfers in (out)	<u>410,000</u>	<u>(410,000)</u>	<u>-</u>
Total general revenues and transfers	<u>6,844,781</u>	<u>(395,837)</u>	<u>6,448,944</u>
Change in net position	253,733	257,887	511,621
Net position - beginning	<u>15,022,688</u>	<u>10,876,147</u>	<u>25,898,835</u>
Net position - ending	<u>\$ 15,276,421</u>	<u>11,134,035</u>	<u>26,410,456</u>

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

Moab City Corporation
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,610,705	1,548,724	141,746	3,301,175
Accounts receivable, net of allowances	740,437	-	-	740,437
Other current assets	27,747	-	-	27,747
Restricted cash and cash equivalents	85,890	-	-	85,890
TOTAL ASSETS	<u>\$ 2,464,779</u>	<u>1,548,724</u>	<u>141,746</u>	<u>4,155,249</u>
LIABILITIES				
Accounts payable	\$ 90,045	16,465	2,711	109,220
Accrued liabilities	188,822	11,100	-	199,922
TOTAL LIABILITIES	<u>278,867</u>	<u>27,564</u>	<u>2,711</u>	<u>309,142</u>
FUND BALANCES:				
Restricted for:				
Class C roads	80,836	-	-	80,836
Assigned for:				
Capital projects	-	1,296,159	-	1,296,159
USU Set-aside	-	225,000	-	225,000
Recreation	-	-	135,955	135,955
Youth city council	-	-	3,081	3,081
Unassigned	2,105,075	-	-	2,105,075
TOTAL FUND BALANCES	<u>2,185,911</u>	<u>1,521,159</u>	<u>139,036</u>	<u>3,846,106</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,464,779</u>	<u>1,548,724</u>	<u>141,746</u>	<u>4,155,249</u>

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

Moab City Corporation
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2014

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Sales	\$ 1,559,020	-	-	1,559,020
Other taxes	4,653,190	-	-	4,653,190
Licenses and permits	252,523	-	-	252,523
Intergovernmental revenues	268,925	439,300	82,459	790,684
Charges for services	1,304,679	-	151,585	1,456,263
Fines and forfeitures	53,869	-	-	53,869
Interest	29,147	1,695	(444)	30,398
Miscellaneous revenue	96,438	53,524	42,211	192,174
Total revenues	<u>8,217,789</u>	<u>494,519</u>	<u>275,811</u>	<u>8,988,119</u>
EXPENDITURES:				
General government	1,828,817	-	-	1,828,817
Public safety	2,281,851	-	-	2,281,851
Highways and public improvements	2,014,772	-	-	2,014,772
Parks, recreation and public property	1,135,391	341,240	407,697	1,884,327
Capital outlay	29,215	493,100	-	522,315
Debt service:				
Principal	143,861	264,000	-	407,861
Interest	5,985	38,125	-	44,110
Total expenditures	<u>7,439,892</u>	<u>1,136,465</u>	<u>407,697</u>	<u>8,984,053</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>777,897</u>	<u>(641,946)</u>	<u>(131,886)</u>	<u>4,066</u>
Other Financing Sources and (Uses):				
Transfers in	410,000	638,800	134,536	1,183,336
Transfers (out)	(773,336)	-	-	(773,336)
Total other financing sources and (uses)	<u>(363,336)</u>	<u>638,800</u>	<u>134,536</u>	<u>410,000</u>
Net Change in Fund Balances	414,561	(3,146)	2,650	414,066
Fund balances - beginning	1,771,350	1,524,305	136,385	3,432,040
Fund balances - end of year	<u>\$ 2,185,911</u>	<u>1,521,159</u>	<u>139,036</u>	<u>3,846,106</u>

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

Moab City Corporation
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 For the Year Ended June 30, 2014

Total Fund Balances for Governmental Funds	<u>\$ 3,846,106</u>
Total net position reported for governmentnal 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	24,910,253
Less accumulated depreciation	<u>(7,398,856)</u>
Net capital assets	<u>17,511,397</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>(5,643,000)</u>
Interest accrued but not yet paid on long-term debt	<u>(27,225)</u>
Compensated absences	<u>(410,857)</u>
Total Net Position of Governmetnal Activities	<u><u>\$ 15,276,421</u></u>

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

Moab City Corporation
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 414,066</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	522,315
Depreciation expense	<u>(1,037,789)</u>
Net	<u>(515,474)</u>
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Long-term debt principal repayments	<u>407,861</u>
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period, while it is recorded in the statement of activities.</p>	
Change in accrued interest	<u>2,365</u>
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental activities.</p>	
Change in compensated absences liability	<u>(55,085)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 253,733</u></u>

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

Moab City Corporation
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	Water & Sewer Fund	Storm Drain Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 2,750,423	1,109,315	3,859,739
Accounts receivable, net	100,416	13,204	113,620
Total current assets	2,850,839	1,122,520	3,973,359
Non-current assets:			
Restricted cash and cash equivalents	748,400	-	748,400
Capital assets:			
Not being depreciated	629,405	24,691	654,096
Net of accumulated depreciation	5,831,488	-	5,831,488
Total non-current assets	7,209,293	24,691	7,233,984
Total assets	\$ 10,060,132	1,147,211	11,207,342
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 9,732	6,150	15,881
Customer security deposits	3,675	-	3,675
Total current liabilities	13,407	6,150	19,556
Non-current liabilities:			
Compensated absences	53,751	-	53,751
Total non-current liabilities	53,751	-	53,751
Total liabilities	67,158	6,150	73,308
NET POSITION:			
Net investment in capital assets	6,460,893	24,691	6,485,584
Restricted for:			
Construction	2,413,127	-	2,413,127
Unrestricted	1,118,954	1,116,370	2,235,324
Total net position	9,992,974	1,141,061	11,134,035
Total liabilities and net position	\$ 10,060,132	1,147,211	11,207,342

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

Moab City Corporation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Water & Sewer Fund	Storm Drain Fund	Total
Operating income:			
Charges for sales and service	\$ 1,265,191	140,156	1,405,347
Connection fees	17,210	-	17,210
Other operating income	146,410	-	146,410
Total operating revenue	<u>1,428,811</u>	<u>140,156</u>	<u>1,568,967</u>
Operating expenses:			
Personnel services	321,111	-	321,111
Utilities	99,085	-	99,085
Repair & maintenance	86,459	14,777	101,236
Other supplies & expenses	358,576	-	358,576
Insurance expense	1,560	-	1,560
Depreciation expense	305,915	-	305,915
Total operating expense	<u>1,172,706</u>	<u>14,777</u>	<u>1,187,483</u>
Net operating income (loss)	<u>256,105</u>	<u>125,380</u>	<u>381,485</u>
Non-operating income (expense):			
Impact fees	259,894	-	259,894
Interest income	14,163	-	14,163
Transfers in (out)	(365,000)	(45,000)	(410,000)
Total non-operating income (expense)	<u>(90,943)</u>	<u>(45,000)</u>	<u>(135,943)</u>
Income (loss) before capital contributions	165,162	80,380	245,542
Capital contributions	-	12,346	12,346
Change in net position	165,162	92,725	257,887
Net position, beginning	9,827,811	1,048,336	10,876,147
Net position, ending	<u>\$ 9,992,974</u>	<u>1,141,061</u>	<u>11,134,035</u>

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

Moab City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Water & Sewer Fund	Storm Drain Fund	Total
Cash flows from operating activities:			
Cash received from customers - service	\$ 1,432,512	139,965	1,572,477
Cash paid to suppliers	(545,234)	(8,627)	(553,862)
Cash paid to employees	(311,039)	-	(311,039)
Net cash provided (used) in operating activities	<u>576,238</u>	<u>131,338</u>	<u>707,576</u>
Cash flows from noncapital financing activities:			
Change in customer deposits	(425)	-	(425)
Net interfund activity	(365,000)	(45,000)	(410,000)
Net cash provided (used) in noncapital financing activities	<u>(365,425)</u>	<u>(45,000)</u>	<u>(410,425)</u>
Cash flows from capital and related financing activities:			
Cash from capital grant	-	12,346	12,346
Cash from impact fees	259,894	-	259,894
Cash payments for capital assets	(312,859)	1,213	(311,646)
Net cash provided (used) in capital and related financing activities	<u>(52,965)</u>	<u>13,559</u>	<u>(39,406)</u>
Cash flows from investing activities:			
Cash received from interest earned	14,163	-	14,163
Net cash provided (used) in investing activities	<u>14,163</u>	<u>-</u>	<u>14,163</u>
Net increase (decrease) in cash	172,011	99,896	271,908
Cash balance, beginning	3,326,812	1,009,419	4,336,231
Cash balance, ending	<u>\$ 3,498,823</u>	<u>1,109,315</u>	<u>4,608,139</u>
Cash reported on the statement of net position:			
Cash and cash equivalents	\$ 2,750,423	1,109,315	3,859,739
Non-current restricted cash	748,400	-	748,400
Total cash and cash equivalents	<u>\$ 3,498,823</u>	<u>1,109,315</u>	<u>4,608,139</u>

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

Moab City Corporation
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2014

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

	Water & Sewer Fund	Storm Drain Fund	Total
Net operating income (loss)	\$ 256,105	125,380	381,485
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	305,915	-	305,915
Changes in assets and liabilities:			
(Increase) decrease in receivables	3,701	(191)	3,509
Increase (decrease) in payables	10,517	6,150	16,667
Net cash provided (used) in operating activities	\$ 576,238	131,338	707,576

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

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Moab City Corporation (the City), a municipal corporation located in Grand County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the financial activities of the City.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position 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 net position reports the financial position of the governmental and business-type activities of the City at year-end.

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.

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).

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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.

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.

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.

Policy regarding use of restricted resources

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

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1-D. Fund types and major funds

Governmental funds

The City reports the following major governmental funds:

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

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

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

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

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

Proprietary funds

The City reports the following major proprietary funds:

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

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

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

1-E-1. Deposit and Investments

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

1-E-2. Cash and Cash Equivalent

The City's cash and cash equivalent 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 intergovernmental receivables are from customers primarily for utility services. Intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

1-E-3. *Receivables and Payables (continued)*

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*.

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 position.

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.

1-E-6. *Capital Assets*

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 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.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

1-E-6. Capital Assets (continued)

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
Building and structures	30-45
Infrastructure	30
Vehicles and equipment	5-15

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 position.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City does not currently have any deferred inflows of resources.

1-E-9. Fund Equity

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

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

1-E-8. Fund Equity (continued)

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

Net investment in capital assets represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is net position 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 position are all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity is classified in governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance 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.

Committed fund balance includes amounts that can only be used for specific purposes established by formal action of the City Council, with is the City's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example resolution) of the City Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned fund balance is a 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 a specific purpose within the General Fund.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

1-F. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

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

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 25% of the next year's budgeted revenues must be appropriated within the following two years.

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

2-B. Deficit fund net assets

None of the City's funds have deficit balances.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2014 consist of the following:

	<u>Fair Value</u>
Demand deposits	\$ 391,545
Savings	1,705,015
Investments - PTIF	5,898,643
Total cash	\$ 7,995,204

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

Cash and cash equivalents (current)	\$ 7,160,914
Restricted cash and cash equivalents (non-current)	834,290
Total cash and cash equivalents	\$ 7,995,204

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

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

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

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

3-A. Deposits and investments (continued)

Deposit and Investment Risk

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

Interest rate risk

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

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2014, \$500,000 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. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

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

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year end for the City's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Customers	\$ 89,880	113,620	203,500
Intergovernmental receivables	640,165	-	640,165
Other receivables	10,392	-	10,392
Total	\$ 740,437	113,620	854,057

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3-D. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 476,884	-	-	476,884
Construction in progress	234,295	127,764	-	362,059
Total capital assets, not being depreciated	<u>711,179</u>	<u>127,764</u>	<u>-</u>	<u>838,943</u>
Capital assets, being depreciated:				
Buildings	12,116,787	-	-	12,116,787
Improvements other than buildings	3,743,472	52,749	-	3,796,221
Machinery and equipment	4,253,574	182,945	-	4,436,519
Infrastructure	3,562,925	158,857	-	3,721,782
Total capital assets, being depreciated	<u>23,676,759</u>	<u>394,551</u>	<u>-</u>	<u>24,071,310</u>
Less accumulated depreciation for:				
Buildings	1,472,385	302,920	-	1,775,304
Improvements other than buildings	1,538,376	225,690	-	1,764,066
Machinery and equipment	2,353,529	362,153	-	2,715,682
Infrastructure	996,778	147,026	-	1,143,804
Total accumulated depreciation	<u>6,361,067</u>	<u>1,037,789</u>	<u>-</u>	<u>7,398,856</u>
Total capital assets being depreciated, net	<u>17,315,692</u>	<u>(643,238)</u>	<u>-</u>	<u>16,672,454</u>
Governmental activities capital assets, net	<u>\$ 18,026,870</u>	<u>(515,474)</u>	<u>-</u>	<u>17,511,397</u>

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

Governmental activities:	
General government	\$ 345,756
Public safety	81,445
Highways and public improvements	238,310
Parks, recreation and public property	<u>372,278</u>
Total	<u>\$ 1,037,789</u>

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3-D. 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 water shares	\$ 262,935	-	-	262,935
Construction in progress	173,351	217,809	-	391,160
Total capital assets, not being depreciated	436,287	217,809	-	654,096
Capital assets, being depreciated:				
Water system	5,436,527	47,152	-	5,483,679
Sewer system	6,931,477	-	-	6,931,477
Machinery & equipment	1,244,007	46,685	-	1,290,692
Total capital assets, being depreciated	13,612,010	93,837	-	13,705,847
Less accumulated depreciation for:				
Water system	3,116,254	122,528	-	3,238,782
Sewer system	3,638,634	120,162	-	3,758,797
Machinery & equipment	813,556	63,225	-	876,781
Total accumulated depreciation	7,568,444	305,915	-	7,874,359
Total capital assets being depreciated, net	6,043,566	(212,078)	-	5,831,488
Business-type activities capital assets, net	\$ 6,479,853	5,731	-	6,485,584

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

Business-type activities:	
Water	\$ 156,046
Sewer	149,869
Total	\$ 305,915

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3-E. Long-term debt

Long-term debt activity for the year was as follows:

	Original Principal	% Rate	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
Governmental activities:							
2011 Equipment Lease Matures 1/25/2014	\$ 62,127	3.66	\$ 21,458	-	21,458	-	-
2009 Equipment lease Matures 3/24/2014	270,500	4.25	58,695	-	58,695	-	-
REFINANCE VEHICLES 2010 Matures 6/24/2014	301,880	4.25	63,708	-	63,708	-	-
2003 Sales Tax Revenue Matures 10/1/2029	2,050,000	2.50	1,525,000	-	73,000	1,452,000	75,000
2009 Sales Tax Revenue Bonds Matures 10/1/2035	4,764,000	-	4,382,000	-	191,000	4,191,000	191,000
Total governmental activity long-term liabilities			<u>\$6,050,861</u>	<u>-</u>	<u>407,861</u>	<u>5,643,000</u>	<u>266,000</u>

	Principal	Interest	Total
2015	\$ 266,000	36,300	302,300
2016	268,000	34,425	302,425
2017	270,000	32,500	302,500
2018	272,000	30,525	302,525
2019	274,000	28,500	302,500
2020 - 2024	1,401,000	110,375	1,511,375
2025 - 2029	1,458,000	51,850	1,509,850
2030 - 2034	1,063,000	2,700	1,065,700
2035 - 2035	371,000	-	371,000
Total	<u>\$5,643,000</u>	<u>327,175</u>	<u>5,970,175</u>

Other long-term liabilities:

	Beginning	Increase (Decrease)	Ending
Compensated absences:			
Governmental	\$ 355,772	55,085	410,857
Business-type	43,680	10,071	53,751
Total	<u>\$ 399,452</u>	<u>65,156</u>	<u>464,608</u>

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

3-F. Interfund receivable, payables and transfers

Interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 410,000	773,336
Recreation	134,536	-
Community development	36,000	-
Millcreek project	12,350	-
Capital projects	590,450	-
Water and sewer fund	-	365,000
Storm drain fund	-	45,000
Total	\$ 1,183,336	1,183,336

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

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

Plan Description:

Moab City Corporation contributes to the Local Governmental Contributory System (Contributory System), Local Governmental Noncontributory System (Noncontributory System), Public Safety Safety Contributory System, and Public Safety Noncontributory System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (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 Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Moab City Corporation
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Funding Policy:

The City is required to contribute a percentage of covered salaries to the respective Systems as follows: 13.99% to the Contributory System; 17.29% to the Noncontributory System; 20.85% to the Public Safety Contributory System; and 32.14% to the Public Safety Noncontributory System. The contribution rate is the actuarially determined rate and is approved by the Board as authorized by Chapter 49.

The City's contributions to the Systems for the years ending June 30, 2014, 2013 and 2012 were, respectively: to the Contributory System \$8,917, \$6,703 and \$700; to the Noncontributory System \$379,276, \$343,208 and \$281,016; to the Public Safety Contributory System \$4,982, \$5,235 and \$5,273; and to the Public Safety Noncontributory System \$179,188, \$171,131 and \$139,246. 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, 2014, 2013 and 2012 amounted to \$25,027, \$22,065 and \$16,682, respectively.

4-C. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through October 31, 2014, the date the financial statements were available to be used.

4-D. Landfill agreement

Moab City entered into an agreement with the Grand County Solid Waste Management Special Service District No. 1 and Grand County in which the City agreed to guarantee the performance of closure and post-closure care at the Klondike and Moab Landfills. Should the escrow moneys set aside by the District not cover all costs associated with the closure and post-closure of the landfill, Moab would be liable for one half of the uncovered costs. Total closure and post-closure costs are currently estimated to be no more than \$175,400 for the Klondike Landfill and for the Moab Landfill.

4-E. 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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Moab City Corporation
Notes to Required Supplementary Information
June 30, 2014

Budgetary Comparison Schedules

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

Budgeting and Budgetary Control

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

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

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2014 was within the budget appropriations.

Moab City Corporation
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
 For the Year Ended June 30, 2014

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 5,897,000	5,897,000	6,212,209	315,209
Licenses and permits	121,700	141,950	252,523	110,573
Intergovernmental revenues	267,586	274,949	268,925	(6,024)
Charges for services	1,288,100	1,288,100	1,304,679	16,579
Fines and forfeitures	45,000	45,000	53,869	8,869
Interest	41,000	41,000	29,147	(11,853)
Miscellaneous revenue	78,400	88,229	96,438	8,209
Total revenues	<u>7,738,786</u>	<u>7,776,228</u>	<u>8,217,789</u>	<u>441,561</u>
Expenditures				
General government	1,953,176	1,953,076	1,828,817	124,259
Public safety	2,389,331	2,418,858	2,281,851	137,007
Highways and public improvements	2,290,505	2,298,420	2,043,987	254,433
Parks and recreation	1,227,865	1,227,865	1,135,391	92,474
Debt Service:				
Principal	143,861	143,861	143,861	-
Interest	5,987	5,987	5,985	2
Total expenditures	<u>8,010,725</u>	<u>8,048,067</u>	<u>7,439,892</u>	<u>608,175</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,839)	(274,839)	777,897	1,052,736
Other Financing Sources and (Uses)				
Transfers in	440,000	440,000	410,000	(30,000)
Transfers out	(623,336)	(773,336)	(773,336)	-
Total Other Financing Sources and (Uses)	<u>(183,336)</u>	<u>(333,336)</u>	<u>(363,336)</u>	<u>(30,000)</u>
Net Change in Fund Balances	(458,175)	(608,175)	414,561	1,022,736
Fund Balances - beginning of year	1,771,350	1,771,350	1,771,350	-
Fund Balances - end of year	<u><u>\$ 1,313,175</u></u>	<u><u>1,163,175</u></u>	<u><u>2,185,911</u></u>	<u><u>1,022,736</u></u>

OTHER REPORTS

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**INDEPENDENT AUDITORS' 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***

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Moab City, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying management letter that we consider to be significant deficiencies. See finding IC-2014.1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying management letter. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Larson & Company, PC

Spanish Fork, Utah
October 31, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE**

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

**REPORT ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND FOR
EACH MAJOR STATE PROGRAM**

We have audited Moab City's (herein referred to as the "City") compliance with the applicable general and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems Compliance
- Transfers from Utility Enterprise Funds

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance 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 Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City or its major state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Moab City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City or on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide*.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the compliance requirements that could have a direct and material effect on the City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.


Larson & Company, PC

Spanish Fork, Utah
October 31, 2014

**MOAB CITY
MANAGEMENT LETTER – COMMUNICATION
WITH THOSE CHARGED WITH GOVERNANCE
YEAR ENDED JUNE 30, 2014**

Table of Contents

Communication with Those Charged with Governance	1
Schedule of Findings – State Compliance current year	3
Schedule of Findings – Internal Control current year	4
Status of Findings – State Compliance prior year	5
Status of Findings – Internal Control prior year	6



October 31, 2014

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Moab City for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 8, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Moab City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, and the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of Moab City, management of Moab City, and other various Federal and State funding and auditing agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Larson & Company, PC
Spanish Fork, Utah

SCHEDULE OF FINDINGS – CURRENT YEAR

State Compliance Finding(s)

No findings related to state compliance were noted in current year.

Internal Control Finding(s)

IC-2014.1 Separation of Duties – Significant Deficiency

Finding:

Complete separation of duties is a key effective internal control because it can aid in reducing the risk of mistakes and inappropriate actions, and can help fight fraud through discouraging collusion. It can also help with the detection of misstatements in the financial reporting. We noted during our audit that the City lacks complete separation of duties which results in a weakness in internal controls.

Recommendation:

We recommend that to the extent possible, the City continue to separate duties to serve as a check and balance to maintain the best control system possible with available resources. We also recommend that the Mayor and Council provide oversight on the financial operations of the City by continuing to review and approve expenditures and other transactions.

Client Response:

The nature of small cities and its limited staff size is such that it is difficult to achieve adequate separation of duties. The City will continue to work towards compensating controls to mitigate overlapping duties. The Mayor and all Council members will, along with the Recorder, review all financial matters and disbursements and promptly investigate anything unusual.

SCHEDULE OF FINDINGS – PRIOR YEAR

State Compliance Finding(s)

No findings related to state compliance were noted in the prior year.

Internal Control Finding(s)

IC-2013.1 Separation of Duties - Significant Deficiency

Finding:

Complete separation of duties is a key effective internal control because it can aid in reducing the risk of mistakes and inappropriate actions, and can help fight fraud through discouraging collusion. We noted during our audit that the City lacks complete separation of duties which results in weakness in internal controls.

Recommendation:

We recommend that, to the extent possible, the City segregate duties to serve as a check and balance to maintain the best control system possible. Due to the limited number of staff at the City we also recommend that the Council provide oversight on the financial operations of the City.

Status:

See current period findings.