

CEDAR CITY, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Cedar City, Utah
Cedar City, Utah 84720

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 Cedar City, Utah, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cedar City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Cedar City, Utah, as of June 30, 2011, 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 December 20, 2011 on our consideration of Cedar 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress - retiree healthcare insurance plan on pages 3 through 15 and 61 through 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar City, Utah's basic financial statements. The combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Cedar City, Utah. The combining statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



HINTON, BURDICK, HALL & SPILKER, PLLC
December 20, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Cedar City's (the City's) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2011. Please read this discussion and analysis in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets at the close of the fiscal year were \$233,388,027. This amount is comprised of \$198,230,747 in capital assets net of related debt, \$9,963,778 of restricted net assets and \$25,193,502 in unrestricted net assets.
- Prior to all transfers in and out of the general fund, general fund revenues exceeded expenditures by \$2,255,078. After all transfers, general fund revenues exceeded expenditures by \$223,281. Transfers to the general fund for capital expenditures totaled \$675,941. Transfers from the general fund for capital projects, debt service and capital projects totaled \$2,707,738. Among the transfers from the general fund was one for \$765,000 to the capital improvement fund for future capital projects.
- The general fund's ending unassigned fund balance of \$2,579,244 represents 15.9 percent of the total budgeted expenditures and transfers for the fiscal year ending June 30, 2012.
- The City's total long-term debt increased \$1,668,425. The City issued \$3,860,000 in water revenue bonds for water infrastructure upgrades and refinanced \$8,275,000 of Municipal Building Authority lease revenue bonds with \$8,260,000 of sales tax revenue bonds.
- Total net assets for the City's governmental activities decreased \$3,191,737 while total net assets for business-type activities increased \$8,194,951.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the City's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

Government-wide financial statements. The government-wide financial statements include a statement of net assets and a statement of activities that provide a citywide perspective of the City's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net assets* presents information on all of the City's assets and liabilities. The difference between assets and liabilities represents the City's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting 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 irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The City utilizes three types of funds: governmental, proprietary, and fiduciary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the City's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the City's programs.

Reconciliations between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements are provided on pages 20-21 and 25 of this report.

The City has identified three of its governmental funds to be major governmental funds requiring separate reporting. The remaining governmental funds are non-major funds and are included in the combining statements on pages 64-71 of this report.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The City uses enterprise funds and an internal

service fund, types of proprietary funds, to account for its seven business-type activities.

Three of the City's enterprise funds qualify as major funds. The remaining three funds are classified as non-major funds and are included in the combining statements on pages 72-74 of this report.

- *Fiduciary funds* account for resources held by the City for the benefit of parties outside the City. The City has a fiduciary responsibility to ensure that these resources are used for their intended beneficiaries and purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds cannot be used to finance City programs. The City's fiduciary responsibilities are reported separately in a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These statements are prepared using full accrual accounting methods similar to those used in preparing proprietary fund statements.

Fund financial statements can be found on pages 20-33 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements. The notes to the financial statements are on pages 34-59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively. The City's total net assets, assets in excess of liabilities, totaled \$233,388,027.

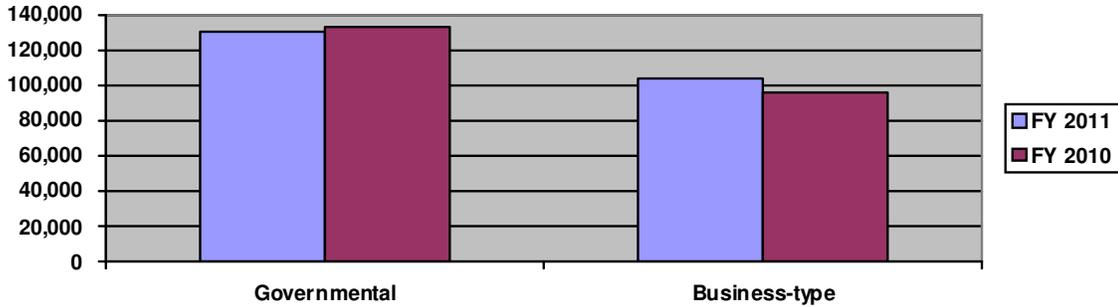
	CEDAR CITY'S NET ASSETS			
	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Current and other assets	\$ 17,891,163	\$ 22,930,249	\$ 24,395,483	\$21,214,219
Capital assets	135,689,687	134,752,501	87,883,041	79,282,263
Total assets	<u>153,580,850</u>	<u>157,682,750</u>	<u>112,278,524</u>	<u>100,496,482</u>
Long-term debt outstanding	19,026,258	20,400,000	7,828,702	4,585,575
Other liabilities	4,625,567	4,161,988	990,820	646,856
Total liabilities	<u>23,651,825</u>	<u>24,561,988</u>	<u>8,819,522</u>	<u>5,232,431</u>
Net assets:				
Invested in capital assets, net of related debt	116,596,042	114,228,889	81,634,705	73,619,492
Restricted	5,657,050	10,875,985	4,306,728	5,706,199
Unrestricted	7,675,933	8,015,888	17,517,569	15,938,360
Total net assets	<u>\$129,929,025</u>	<u>\$133,120,762</u>	<u>\$103,459,002</u>	<u>\$95,264,051</u>

CHANGES IN CEDAR CITY'S NET ASSETS

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Revenues:				
Program revenues				
Charges for services	\$3,017,308	\$2,742,414	\$ 7,676,624	\$ 7,511,940
Operating grants and contributions	782,475	530,999		
Capital grants and contributions	6,311,245	8,873,811	2,468,751	4,573,718
General Revenues				
Property taxes	4,944,585	4,405,916		
Other taxes	7,570,373	7,429,224		
Investment income	79,257	92,109	201,609	247,997
Other revenues	358,458	398,674		
Gain (loss) on sale/disposal of assets			(31,499)	
Total revenues	23,063,701	24,473,147	10,315,485	12,333,655
Expenses:				
General government	1,468,157	1,631,273		
Police protection	4,013,081	3,999,199		
Other public safety and inspection services	1,515,705	1,847,412		
Streets and highways	5,292,371	4,620,942		
Parks, cemetery and public property	1,666,383	1,680,752		
Culture and recreation	2,711,535	1,699,980		
Public works	1,244,996	1,304,701		
Community and economic development	748,148	638,658		
Transportation services	1,498,495	846,353		
Interest and fiscal charges	871,142	640,250		
Golf course			715,878	679,298
Water			3,078,740	3,131,045
Sewer system			1,081,043	1,191,340
Regional sewer plant			1,711,822	1,704,935
Solid waste			452,990	504,648
Storm drain			305,486	499,149
Total expenses	21,030,013	18,909,520	7,345,959	7,710,415
Increase in net assets before transfers	2,033,688	5,563,627	2,969,526	4,623,240
Transfers	(5,225,425)	(53,288)	5,225,425	53,288
Increase in net assets	\$ (3,191,737)	\$ 5,510,339	\$ 8,194,951	\$ 4,676,528

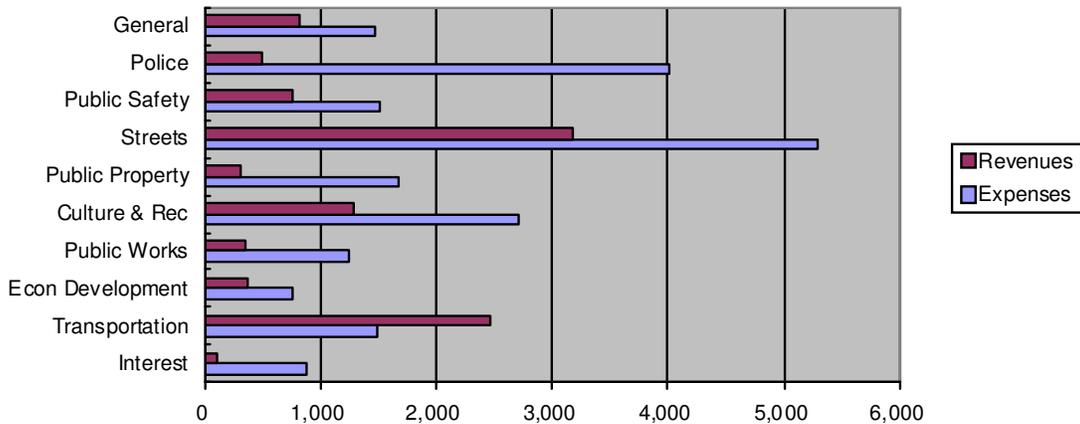
Governmental fund net assets decreased from \$133.1 million to \$129.9 million during fiscal year 2011, a decrease of 2.4 percent. Business-type net assets increased 8.6 percent from \$95.3 million in fiscal year 2010 to \$103.5 million in fiscal year 2011. This information is displayed in the graph below.

**CEDAR CITY'S NET ASSETS BY FUND TYPE
FY 2011 & FY 2010 COMPARISON
(In thousands)**

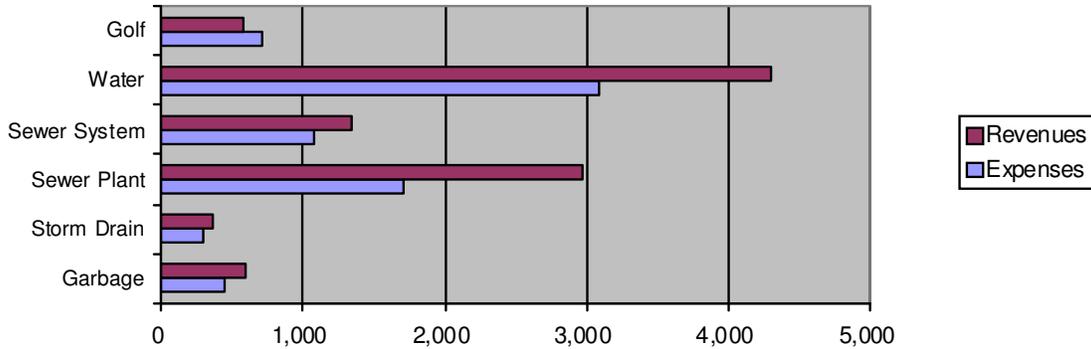


The following charts display program revenues and expenses for governmental activities and business-type activities for fiscal year 2011 as reflected in the statement of activities.

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES FOR FY 2011
(In thousands)**



**PROGRAM REVENUES AND EXPENSES
BUSINESS-TYPE ACTIVITIES FOR FY 2011
(In thousands)**



GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the City’s governmental funds provide a short-term perspective of the City’s general government operations and the financial resources available in the near future to finance the City’s programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as nonspendable, restricted, committed, assigned or unassigned.

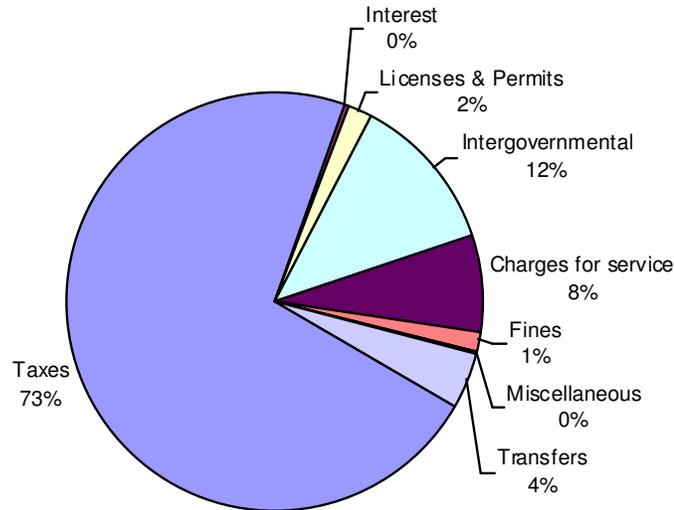
As of June 30, 2011, the City’s governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$14,620,443. This combined balance represents a decrease of \$5,534,563 from last year’s ending combined fund balance.

The general fund is the main operating fund of the City. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations, local ordinances, or the City may simply desire to isolate the revenues and expenditures associated with a particular activity for management purposes.

The general fund fund balance increased \$223,281 to \$4.3 million during the fiscal year ending June 30, 2011. The \$2.6 million unrestricted fund balance represents 15.9 percent of budgeted expenditures and transfers for the fiscal year ending June 30, 2012. State law requires municipalities maintain a fund balance between 5 and 18 percent of the subsequent year’s budget.

The following charts identify general fund revenue sources and function expenditures for fiscal year 2011.

**REVENUES BY SOURCE
GENERAL FUND FOR FY 2011**



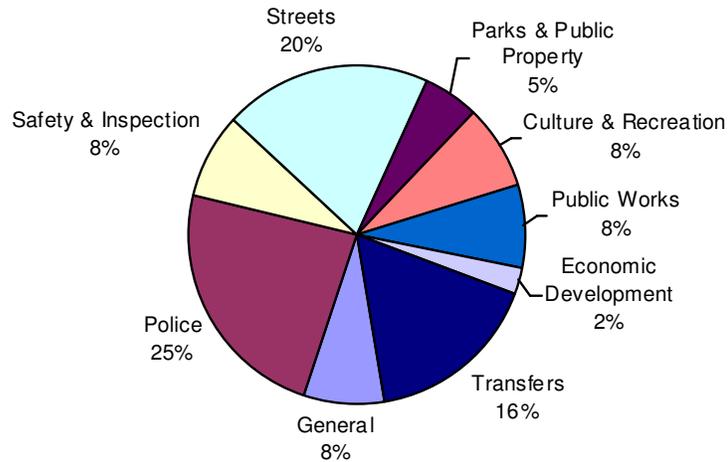
Taxes were the largest source of revenues in the general fund representing approximately 73 percent of total general fund revenues. Property tax revenues accounted for approximately 44 percent of all of the tax revenues generated in the general fund while sales taxes generated about 37 percent of the tax revenues. The remaining tax revenue was generated from franchise and energy taxes.

Intergovernmental revenues comprised of federal, state and local payments and grants accounted for 12 percent of the general fund revenues, the second largest category for fiscal year 2011. Approximately 53 percent of this revenue came from State of Utah road funds. Federal and state grants made up 21 percent of intergovernmental revenues, while payments from Iron County for services provided to the County by the City accounted for an additional 20 percent of intergovernmental revenues.

The third largest category, charges for services, made up 8 percent of general fund revenues. Approximately 62 percent of these revenues were operating reimbursements from enterprise funds to the general fund.

Transfers from the capital improvement fund, licenses and permits, fines and forfeitures, miscellaneous revenues and interest are the remaining categories of revenue within the general fund. When combined, these categories accounted for approximately 7 percent of general fund revenues.

**EXPENDITURES BY FUNCTION
GENERAL FUND FOR FY 2011**



Police functions accounted for 25 percent of all general fund expenditures. Approximately 96 percent of the police expenditures were operating expenditures.

Streets accounted for 20 percent of all general fund expenditures. Approximately 24 percent of these costs were for capital projects including acquisition of the city street light system, signal light installation, street and sidewalk improvements and equipment.

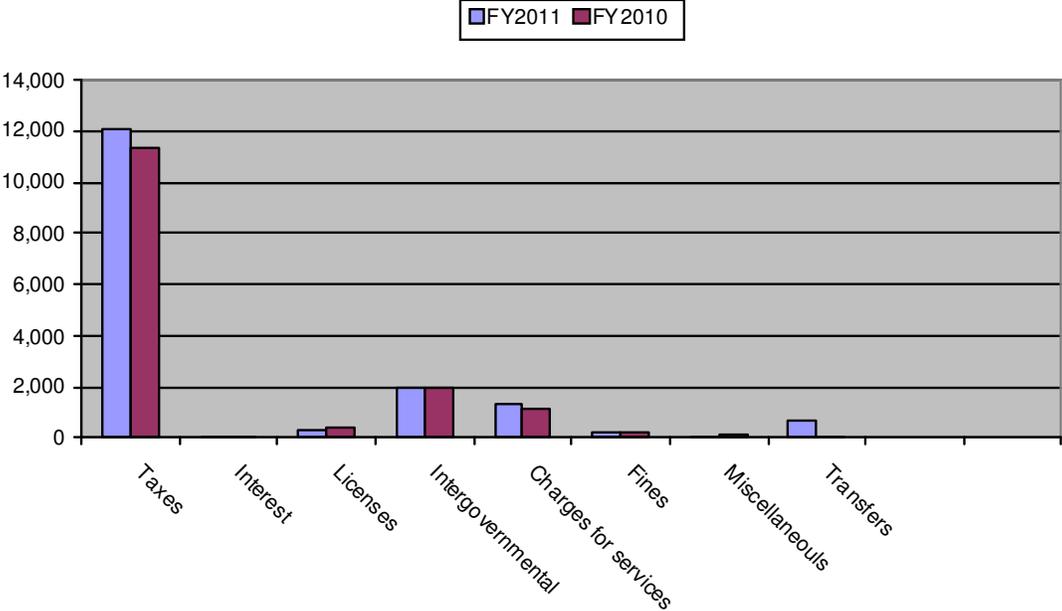
Transfers from the general fund to other funds, the third largest category, accounted for 16 percent of all general fund expenditures. Approximately 65 percent of the transfers were made to meet debt service obligations. An additional 28 percent of total transfers were to capital project funds for current or anticipated capital projects. The remaining 7 percent of transfers were made to special revenue funds.

Other public safety and inspection services accounted for 8 percent of all general fund expenditures. This category includes fire protection, building and zoning, animal control and justice court functions.

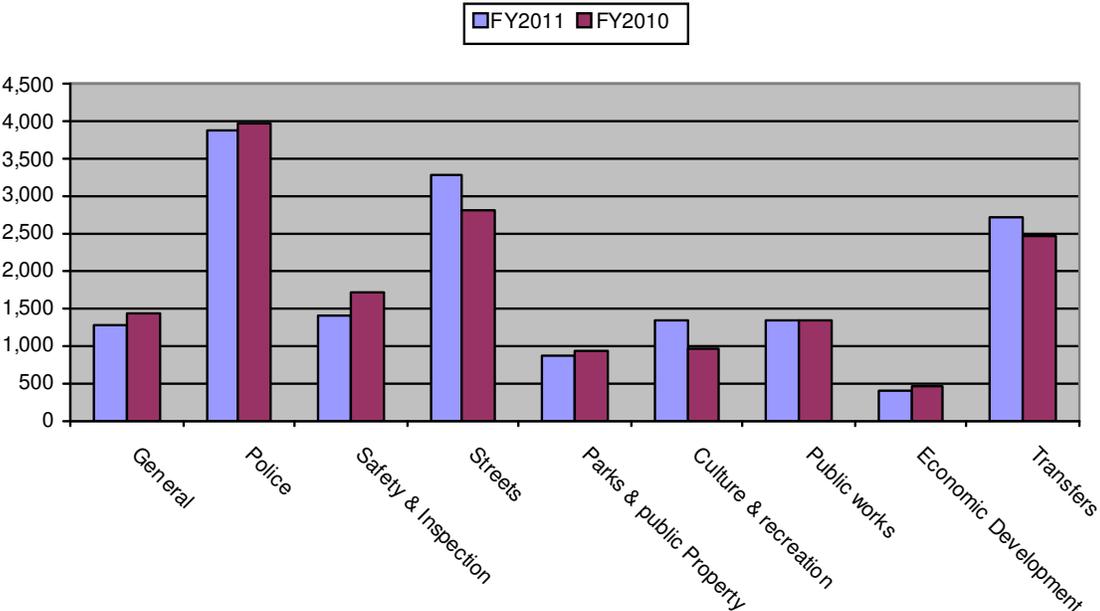
General government, public works, culture and recreation, parks and public property and economic development comprise the remaining categories of expenditures in the general fund. The combined percentage of expenditures in these categories accounted for 31 percent of total general fund expenditures.

The following charts compare fiscal year 2010 and 2011 general fund revenues and expenditures by source and function.

**REVENUES BY SOURCE
GENERAL FUND COMPARISON FY 2011 & FY 2010
(In thousands)**



**EXPENDITURES BY FUNCTION
GENERAL FUND COMPARISON FY 2011 & FY 2010
(In thousands)**



As was previously noted, the City maintains six enterprise funds and one internal service fund to account for its business-type activities. The separate fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2011 originally adopted budget for the general fund totaled \$16,063,152. The City Council approved two budget revisions during the year. The first revision increased the budget by \$632,265. Two main issues necessitated this revision. First, capital projects budgeted in fiscal year 2010 were not complete by the end of that fiscal year. Thus, approximately \$458,000 of remaining funds was carried over to fiscal year 2011 for completion of the projects. Second, grant revenues were carried over or secured subsequent to adoption of the original budget.

The second revision increased the budget an additional \$1,387,355. A budget transfer of \$1,000,000 from the general fund to the capital projects fund accounts for much of this increase.

Actual general fund expenditures and transfers for the year ending June 30, 2011, totaled \$16,434,424. This amount is \$371,272 above the originally adopted budget and \$1,648,348 below the final revised budget of \$18,082,772.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the City had invested \$223,572,728, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

CEDAR CITY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Land and water rights	\$ 48,159,714	\$ 47,444,100	\$12,058,282	\$11,048,163
Buildings	29,761,646	30,329,480	2,298,068	1,515,843
Improvements	38,288,247	36,343,856	67,861,569	58,461,972
Office equipment	151,994	162,395	16,138	14,169
Machinery and equipment	1,502,348	1,370,866	768,484	817,397
Automobiles and trucks	2,600,897	2,922,512	765,035	733,103
Construction in progress	15,224,841	16,179,292	4,115,465	6,691,616
Total	<u>\$135,689,687</u>	<u>\$134,752,501</u>	<u>\$87,883,041</u>	<u>\$79,282,263</u>

Capital assets costing \$100,000 or more that have been added to the City's capital asset list during the current fiscal year include:

- \$138,604 for a chlorine scrubber funded with sewer treatment plant resources
- \$145,576 for a concession and restroom building at the Cross Hollow arena funded with a local grant and RAP tax revenues
- \$186,915 for fencing around the Lake at the Hills funded with capital improvement and water resources
- \$219,623 for a garbage truck funded with solid waste fund resources
- \$667,571 for sewer system improvements funded with sewer collection fund resources, sewer impact fees and developer-contributed improvements
- \$725,614 for right of way acquisitions funded with C road funds, transportation impact fees, capital improvement funds, annexation and developer-contributed improvements
- \$798,537 for a water pump station funded with water impact fees
- \$944,024 for water rights funded with water acquisition fees and developer-contributed rights
- \$1,271,122 for street improvements funded with C road funds, transportation impact fees, capital improvement funds, annexation and developer-contributed improvements
- \$1,925,168 for water system improvements funded with water fund resources, water impact fees and developer-contributed improvements
- \$3,375,072 for the Lake at the Hills funded with a local grant and water fund resources
- \$3,431,770 for airport runway improvements funded with a federal grant
- \$5,133,333 for Coal Creek flood control improvements funded with a federal grant and capital improvement funds

Additional information regarding the City's capital assets can be found in the footnotes to the financial statements.

Debt Administration

State statute limits the amount of debt a city may issue to 4 percent of the fair market value of the taxable property within the city's jurisdiction, which totaled over \$2.273 billion for tax year 2010. An additional 8 percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the city. Cedar City's debt limit based on 2010 fair market values is \$272,789,311 comprised of \$90,929,770 for the 4 percent and \$181,859,541 for the additional 8 percent. In any case, the City's outstanding debt is significantly below the statutory debt limits.

At June 30, 2011, the City had total debt outstanding of \$26,654,000. Of this amount, \$9,848,000 is considered general obligation debt, which is secured by the full faith and credit of the City. Special assessment debt for which the City is liable if property owners fail to pay their related assessments totaled \$810,000. The remaining debt of \$15,996,000 is secured by future cash flows from specific revenue sources.

The following is a summary of the City's outstanding debt (excluding bond premiums and discounts):

CEDAR CITY'S OUTSTANDING DEBT				
	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
General obligation bonds	\$ 9,848,000	\$10,268,000		
Sales tax revenue bonds	8,260,000			
Municipal Building Authority:				
Lease revenue bonds		8,915,000		
Special improvement districts:				
Assessment bonds	810,000	1,217,000		
Revenue bonds			\$7,736,000	\$4,539,000
Capital leases				46,575
Total	\$18,918,000	\$20,400,000	\$7,736,000	\$4,585,575

During the fiscal year, the City refinanced \$8,275,000 in Municipal Building Authority debt by issuing \$8,260,000 in sales tax revenue bonds for the same maturity period but lower interest rates. Standard & Poor's assigned the sales tax revenue bonds a rating of AA-.

The City also issued \$3,860,000 in water revenue bonds for water infrastructure upgrades. Standard & Poor's assigned an underlying (non-credit enhanced) rating of A+ to this issue.

When the 2003 Library General Obligation bond was issued, Standard Poor's assigned an underlying (non-credit enhanced) rating of A to this issue. On April 19, 2010, the City received notice that Standard Poor's changed the rating from A to A+.

Additional information on the outstanding debt of the City is located in the footnotes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2010 annual average unemployment rate for Iron County, of which Cedar City is the largest city, was 9.6 percent. This percentage is higher than Utah's annual average unemployment rate of 7.7 percent and the same as the national annual average unemployment rate of 9.6 percent for the same period. (Source: U.S. Department of Labor and Utah Department of Workforce Services)
- The fiscal year 2012 general fund budget is 0.7 percent higher than the originally adopted budget and 10.5 percent lower than the final general fund budget after mid-year and year-end revisions for fiscal year 2011. When compared to fiscal year 2011 actual expenditures, the fiscal year 2012 budget represents a decrease of 1.6 percent.

- Building permits issued during 2010 for unattached single-family dwellings were 44 compared to 58 for calendar year 2009. Total building permits for the same period were 195 and 263, respectively. The average building valuation of an unattached single-family home in 2010 was \$197,932, down from \$206,448 in 2009. (Source: Cedar City Building Department)
- Sales tax revenue for fiscal year 2011 totaled \$4,480,240, an increase of \$42,752 or 1 percent from sales tax revenue for fiscal year 2010.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the City's finances and demonstrate accountability for the sources and uses of City funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Finance Director, Cedar City Corporation, 10 North Main, Cedar City, Utah, 84720.

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BASIC FINANCIAL STATEMENTS

CEDAR CITY, UTAH
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,945,042	\$ 15,333,604	\$ 23,278,646
Special assessments receivable	1,000,204	-	1,000,204
Accounts receivable	-	658,946	658,946
Other receivables	2,349,690	36,317	2,386,007
Inventory	105,248	401,797	507,045
Pre-paid expenses	450	-	450
Restricted assets:			
Temporarily restricted			
Cash and cash equivalents	5,187,387	8,598,737	13,786,124
Receivables	469,663	-	469,663
Note receivable	-	10,899	10,899
Internal balances	750,699	(750,699)	-
Deferred charges	82,780	105,882	188,662
Capital assets:			
Non-depreciable	63,384,555	16,173,747	79,558,302
Depreciable, net of accumulated depreciation	72,305,132	71,709,294	144,014,426
Net capital assets	<u>135,689,687</u>	<u>87,883,041</u>	<u>223,572,728</u>
Total assets	<u>153,580,850</u>	<u>112,278,524</u>	<u>265,859,374</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	2,457,132	764,751	3,221,883
Accrued interest payable	150,167	71,318	221,485
Deferred revenue	1,181,594	1,800	1,183,394
Compensated absences payable	681,179	132,284	813,463
Liability for closure and post closure costs	-	20,667	20,667
Net OPEB obligation	155,495	-	155,495
Noncurrent liabilities			
Portion due within one year	1,558,000	842,000	2,400,000
Portion due after one year	17,468,258	6,986,702	24,454,960
Total liabilities	<u>23,651,825</u>	<u>8,819,522</u>	<u>32,471,347</u>
Net Assets:			
Invested in capital assets, net of related debt	116,596,042	81,634,705	198,230,747
Restricted for:			
Capital projects	326,966	-	326,966
Debt service	346,264	1,374,707	1,720,971
Community development	3,702,445	2,932,021	6,634,466
Other purposes	1,281,375	-	1,281,375
Unrestricted	7,675,933	17,517,569	25,193,502
Total net assets	<u>\$ 129,929,025</u>	<u>\$ 103,459,002</u>	<u>\$ 233,388,027</u>

The accompanying notes are an integral part of the financial statements.

CEDAR CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 1,468,157	\$ 811,022	\$ 3,319	\$ -	\$ (653,816)	\$ -	\$ (653,816)
Police protection	4,013,081	158,531	281,421	48,809	(3,524,320)	-	(3,524,320)
Other public safety and inspection services	1,515,705	550,027	186,478	13,596	(765,604)	-	(765,604)
Streets and highways	5,292,371	45,655	11,840	3,111,257	(2,123,619)	-	(2,123,619)
Parks, cemetery and public property	1,666,383	120,271	-	187,377	(1,358,735)	-	(1,358,735)
Culture and recreation	2,711,535	658,979	60,094	564,656	(1,427,806)	-	(1,427,806)
Public works	1,244,996	5,859	-	353,235	(885,902)	-	(885,902)
Community and economic development	748,148	377,221	2,816	-	(368,111)	-	(368,111)
Transportation services	1,498,495	289,743	138,507	2,032,315	962,070	-	962,070
Interest and fiscal charges	871,142	-	98,000	-	(773,142)	-	(773,142)
Total governmental activities	<u>21,030,013</u>	<u>3,017,308</u>	<u>782,475</u>	<u>6,311,245</u>	<u>(10,918,985)</u>	<u>-</u>	<u>(10,918,985)</u>
Business-type activities:							
Water	3,078,740	2,550,934	-	1,741,810	-	1,214,004	1,214,004
Sewer system	1,081,043	748,621	-	587,313	-	254,891	254,891
Regional sewer plant	1,711,822	2,925,777	-	46,916	-	1,260,871	1,260,871
Golf course	715,878	588,342	-	-	-	(127,536)	(127,536)
Storm drain	305,486	265,058	-	92,712	-	52,284	52,284
Solid waste	452,990	597,892	-	-	-	144,902	144,902
Total business-type activities	<u>7,345,959</u>	<u>7,676,624</u>	<u>-</u>	<u>2,468,751</u>	<u>-</u>	<u>2,799,416</u>	<u>2,799,416</u>
Total primary government	<u>\$ 28,375,972</u>	<u>\$ 10,693,932</u>	<u>\$ 782,475</u>	<u>\$ 8,779,996</u>	<u>(10,918,985)</u>	<u>2,799,416</u>	<u>(8,119,569)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					4,875,407	-	4,875,407
Property taxes, levied for redevelopment					69,178	-	69,178
Franchise taxes					1,815,766	-	1,815,766
Fees-in-lieu of taxes					390,683	-	390,683
General sales and use taxes					4,921,220	-	4,921,220
Telecommunications taxes					442,704	-	442,704
Earnings on investments					79,257	201,609	280,866
Licenses and permits					334,819	-	334,819
Miscellaneous					23,639	-	23,639
Gain (loss) on sale/disposal of assets					-	(31,499)	(31,499)
Transfers					(5,225,425)	5,225,425	-
Total general revenues and transfers					<u>7,727,248</u>	<u>5,395,535</u>	<u>13,122,783</u>
Increase in net assets					(3,191,737)	8,194,951	5,003,214
Net assets - beginning					<u>133,120,762</u>	<u>95,264,051</u>	<u>228,384,813</u>
Net assets - ending					<u>\$ 129,929,025</u>	<u>\$ 103,459,002</u>	<u>\$ 233,388,027</u>

The accompanying notes are an integral part of the financial statements.

CEDAR CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Aquatic Center Capital Project Fund</u>	<u>Municipal Building Authority Debt Service Fund</u>
Assets:			
Cash and cash equivalents	\$ 2,524,905	\$ -	\$ 66
Special assessments receivable	-	-	-
Other receivables	1,190,705	422,871	-
Prepaid expenditures	450	-	-
Due from other funds	643,547	-	-
Inventory	105,248	-	-
Temporarily restricted assets:			
Cash and cash equivalents	1,316,615	-	37
Receivables	282,693	97,129	-
Total assets	\$ 6,064,163	\$ 520,000	\$ 103
Liabilities:			
Accounts payable	\$ 567,732	\$ 95,969	\$ 66
Payroll taxes payable	180	-	-
Other payables	1,121,955	-	-
Due to other funds	-	216,902	-
Deferred revenue	70,115	110,000	-
Total liabilities	1,759,982	422,871	66
Fund balances:			
Nonspendable	105,698	-	-
Restricted for:			
Capital projects	-	97,129	-
Debt service	-	-	37
Community development	1,524,459	-	-
Other	74,849	-	-
Committed	19,931	-	-
Assigned	-	-	-
Unassigned	2,579,244	-	-
Total fund balances	4,304,181	97,129	37
Total liabilities and fund balances	\$ 6,064,163	\$ 520,000	\$ 103

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds

Internal service funds are used by management to charge the costs of public works facilities and services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

Net assets of governmental activities

The accompanying notes are an integral part of the financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,420,071	\$ 7,945,042
1,000,204	1,000,204
657,396	2,270,972
-	450
870,000	1,513,547
-	105,248
3,870,735	5,187,387
89,841	469,663
<u>\$ 11,908,247</u>	<u>\$ 18,492,513</u>
\$ 656,047	\$ 1,319,814
-	180
-	1,121,955
31,625	248,527
<u>1,001,479</u>	<u>1,181,594</u>
<u>1,689,151</u>	<u>3,872,070</u>
-	105,698
229,837	326,966
346,227	346,264
2,177,986	3,702,445
1,206,526	1,281,375
2,205,430	2,225,361
4,053,090	4,053,090
-	2,579,244
<u>10,219,096</u>	<u>14,620,443</u>
<u>\$ 11,908,247</u>	
	134,444,755
	(19,930,319)
	<u>794,146</u>
	<u>\$ 129,929,025</u>

CEDAR CITY, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>Aquatic Center Capital Project Fund</u>	<u>Municipal Building Authority Debt Service Fund</u>
Revenues:			
Taxes	\$ 12,036,753	\$ -	\$ -
Interest earnings	45,627	6,781	124
Licenses and permits	334,819	-	-
Intergovernmental revenues	1,997,420	500,000	-
Charges for services	1,277,142	-	-
Fines and forfeitures	221,143	-	-
Miscellaneous	68,860	55,000	-
Total revenues	<u>15,981,764</u>	<u>561,781</u>	<u>124</u>
Expenditures:			
Current			
General government	1,284,624	-	1,268
Police protection	3,869,249	-	-
Other public safety and inspection services	1,396,017	-	-
Streets and highways	3,269,169	-	-
Parks, cemetery and public property	869,791	-	-
Culture and recreation	1,327,613	-	-
Public works	1,323,099	-	-
Community and economic development	387,124	-	-
Transportation services	-	-	-
Capital outlay	-	4,288,915	-
Debt service:			
Principal retirements	-	-	8,915,000
Interest and fiscal charges	-	-	405,523
Bond issuance costs	-	-	-
Total expenditures	<u>13,726,686</u>	<u>4,288,915</u>	<u>9,321,791</u>
Excess of revenues over (under) expenditures	<u>2,255,078</u>	<u>(3,727,134)</u>	<u>(9,321,667)</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	675,941	133,561	9,321,704
Operating transfers out	(2,707,738)	-	-
Total other financing sources (uses)	<u>(2,031,797)</u>	<u>133,561</u>	<u>9,321,704</u>
Net change in fund balance	223,281	(3,593,573)	37
Fund balance, beginning of year	<u>4,080,900</u>	<u>3,690,702</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,304,181</u>	<u>\$ 97,129</u>	<u>\$ 37</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 488,421	\$ 12,525,174
53,830	106,362
-	334,819
2,388,407	4,885,827
910,752	2,187,894
-	221,143
447,393	571,253
<u>4,288,803</u>	<u>20,832,472</u>
-	1,285,892
63,380	3,932,629
11,780	1,407,797
3,100	3,272,269
22,131	891,922
515,339	1,842,952
13,194	1,336,293
344,105	731,229
983,197	983,197
4,025,695	8,314,610
827,000	9,742,000
439,064	844,587
82,780	82,780
<u>7,330,765</u>	<u>34,668,157</u>
<u>(3,041,962)</u>	<u>(13,835,685)</u>
8,368,258	8,368,258
1,924,941	12,056,147
<u>(9,415,545)</u>	<u>(12,123,283)</u>
<u>877,654</u>	<u>8,301,122</u>
(2,164,308)	(5,534,563)
<u>12,383,404</u>	<u>20,155,006</u>
<u>\$ 10,219,096</u>	<u>\$ 14,620,443</u>

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CEDAR CITY, UTAH
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, 2011

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

Net change in fund balances-total governmental funds	\$ (5,534,563)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,781,092
An internal service fund is used by the City to charge the costs of public works facilities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	344,164
The entire annual required contribution for other postemployment benefits is reported as an expense in the statement of activities. However, only the actual amount paid is included as an expenditure in governmental funds.	(34,816)
The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. This is the net effect of these differences in the treatment of general obligation bonds and related items.	1,429,967
Net increase in compensated absences payable.	(20,285)
Infrastructure and other assets that are contributed or received under grants are reported as a revenue in the statement of activities, but is not in the fund statements.	2,026,106
Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities, but are not reported in the governmental fund statements.	(5,158,289)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net cost of the assets sold.	<u>(25,113)</u>
Change in net assets of governmental activities	<u><u>\$ (3,191,737)</u></u>

The accompanying notes are an integral part of the financial statements.

CEDAR CITY, UTAH
Statement of Net Assets
Major Proprietary Funds
June 30, 2011

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,407,005	\$ 1,877,353	\$ 9,040,549
Restricted cash and cash equivalents	4,897,620	-	2,083,129
Accounts receivable (net of allowance)	213,383	68,988	259,525
Other receivables	36,317	-	-
Inventory	394,862	-	-
Due from other funds	304,742	-	1,876,207
Total current assets	<u>9,253,929</u>	<u>1,946,341</u>	<u>13,259,410</u>
Non-current assets:			
Note receivable	-	-	-
Deferred charges	105,882	-	-
Capital assets:			
Non-depreciable	13,846,280	551,829	933,319
Depreciable, net of accumulated depreciation	35,033,269	21,378,675	5,947,785
Net capital assets	<u>48,879,549</u>	<u>21,930,504</u>	<u>6,881,104</u>
Total non-current assets	<u>48,985,431</u>	<u>21,930,504</u>	<u>6,881,104</u>
Total assets	<u>58,239,360</u>	<u>23,876,845</u>	<u>20,140,514</u>
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable	391,427	151,249	62,329
Accrued interest	382	-	69,703
Deposits payable	49,983	-	-
Compensated absences payable	47,631	19,820	30,024
Deferred revenue	-	-	-
Bonds payable within one year	160,000	-	670,000
Due to other funds	-	1,876,207	-
Total current liabilities	<u>649,423</u>	<u>2,047,276</u>	<u>832,056</u>
Non-current liabilities:			
Liability for closure and post closure costs	-	-	-
Bonds payable after one year	3,792,702	-	3,132,000
Total non-current liabilities	<u>3,792,702</u>	<u>-</u>	<u>3,132,000</u>
Total liabilities	<u>4,442,125</u>	<u>2,047,276</u>	<u>3,964,056</u>
Net assets:			
Invested in capital assets, net of related debt	48,454,356	20,054,297	3,009,401
Restricted for:			
Debt service	-	-	1,374,707
Community development	1,475,611	-	708,422
Unrestricted	3,867,268	1,775,272	11,083,928
Total net assets	<u>\$53,797,235</u>	<u>\$21,829,569</u>	<u>\$16,176,458</u>

The accompanying notes are an integral part of the financial statements.

Other Proprietary Funds	Total	Public Works Facilities Internal Service Fund
\$ 1,008,697	\$ 15,333,604	\$ -
1,617,988	8,598,737	-
117,050	658,946	78,718
-	36,317	-
6,935	401,797	-
-	2,180,949	-
<u>2,750,670</u>	<u>27,210,350</u>	<u>78,718</u>
10,899	10,899	-
-	105,882	-
842,319	16,173,747	436,719
9,349,565	71,709,294	808,213
<u>10,191,884</u>	<u>87,883,041</u>	<u>1,244,932</u>
<u>10,202,783</u>	<u>87,999,822</u>	<u>1,244,932</u>
<u>12,953,453</u>	<u>115,210,172</u>	<u>1,323,650</u>
109,763	714,768	15,183
1,233	71,318	-
-	49,983	-
34,809	132,284	-
1,800	1,800	-
12,000	842,000	-
1,055,441	2,931,648	514,321
<u>1,215,046</u>	<u>4,743,801</u>	<u>529,504</u>
20,667	20,667	-
62,000	6,986,702	-
82,667	7,007,369	-
<u>1,297,713</u>	<u>11,751,170</u>	<u>529,504</u>
10,116,651	81,634,705	730,611
-	1,374,707	-
747,988	2,932,021	-
791,101	17,517,569	63,535
<u>\$ 11,655,740</u>	<u>\$ 103,459,002</u>	<u>\$ 794,146</u>

CEDAR CITY, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
For the Year Ended June 30, 2011

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
Operating revenues:			
Charges for services	\$ 2,482,497	\$ 746,721	\$ 2,923,835
Penalties	67,587	-	-
Miscellaneous	850	1,900	1,942
Total operating revenues	<u>2,550,934</u>	<u>748,621</u>	<u>2,925,777</u>
Operating expenses:			
Salaries	525,155	157,266	316,420
Employees benefits	230,313	88,393	145,048
Administration	197,777	84,211	59,127
Utilities	494,101	29,893	165,023
Professional services	12,955	3,701	21,787
Repairs and maintenance	355,441	29,573	114,675
Insurance	16,400	10,322	13,439
Miscellaneous	17,917	29,465	7,638
Supplies	327,178	30,826	46,252
Closure and post closure expenses	-	-	-
Depreciation	901,121	569,314	710,254
Total operating expenses	<u>3,078,358</u>	<u>1,032,964</u>	<u>1,599,663</u>
Operating income (loss)	(527,424)	(284,343)	1,326,114
Nonoperating revenues (expenses):			
Interest earnings	75,870	5,086	110,373
Impact fees	119,520	28,860	46,916
Water acquisition fee	23,192	-	-
Grant revenue	36,317	-	-
Gain (loss) on disposal of assets	-	-	3,066
Interest and fiscal charges	(382)	(48,079)	(112,159)
Total nonoperating revenues (expenses)	<u>254,517</u>	<u>(14,133)</u>	<u>48,196</u>
Income before contributions and transfers	<u>(272,907)</u>	<u>(298,476)</u>	<u>1,374,310</u>
Capital contributions	1,573,118	569,728	-
Transfers in	61,208	-	-
Change in net assets	<u>1,361,419</u>	<u>271,252</u>	<u>1,374,310</u>
Total net assets, beginning of year	<u>52,435,816</u>	<u>21,558,317</u>	<u>14,802,148</u>
Total net assets, end of year	<u>\$53,797,235</u>	<u>\$21,829,569</u>	<u>\$16,176,458</u>

The accompanying notes are an integral part of the financial statements.

Other Proprietary Funds	Total	Public Works Facilities Internal Service Fund
\$ 1,450,580	\$ 7,603,633	\$ 85,412
-	67,587	-
712	5,404	-
<u>1,451,292</u>	<u>7,676,624</u>	<u>85,412</u>
428,240	1,427,081	3,594
185,066	648,820	386
241,513	582,628	-
39,364	728,381	23,087
7,123	45,566	210
111,857	611,546	3,719
13,127	53,288	2,527
74,917	129,937	-
164,449	568,705	790
3,585	3,585	-
203,057	2,383,746	21,169
<u>1,472,298</u>	<u>7,183,283</u>	<u>55,482</u>
(21,006)	493,341	29,930
10,280	201,609	43
29,960	225,256	-
-	23,192	-
-	36,317	248,655
(34,565)	(31,499)	-
<u>(2,056)</u>	<u>(162,676)</u>	<u>(20,368)</u>
<u>3,619</u>	<u>292,199</u>	<u>228,330</u>
<u>(17,387)</u>	<u>785,540</u>	<u>258,260</u>
5,199,429	7,342,275	85,904
5,928	67,136	-
<u>5,187,970</u>	<u>8,194,951</u>	<u>344,164</u>
6,467,770	95,264,051	449,982
<u>\$ 11,655,740</u>	<u>\$ 103,459,002</u>	<u>\$ 794,146</u>

CEDAR CITY, UTAH
Statement of Cash Flows
Major Proprietary Funds
For the Year Ended June 30, 2011

	<u>Water</u>	<u>Sewer Collection System</u>	<u>Regional Sewer Plant</u>
Cash flows from operating activities:			
Cash received from customers	\$ 2,647,033	\$ 747,777	\$ 2,922,603
Cash payments to suppliers for goods and services	(1,140,191)	(76,504)	(503,620)
Cash payments to employees for services	(752,832)	(244,395)	(459,576)
Net cash flows from operating activities	<u>754,010</u>	<u>426,878</u>	<u>1,959,407</u>
Cash flows from noncapital financing activities:			
Loans due from other funds	17,623	-	(884,044)
Loans due to other funds	-	884,044	-
Transfers from other funds	61,208	-	-
Net cash flows from noncapital financing activities	<u>78,831</u>	<u>884,044</u>	<u>(884,044)</u>
Cash flows from capital and related financing activities:			
Cash received from impact fees	119,520	28,860	46,916
Other receipts (payments)	49,592	-	-
Acquisition of capital assets	(3,092,885)	(181,878)	(189,933)
Proceeds from the sale of capital assets	-	-	27,811
Proceeds from capital debt	3,846,820	-	-
Interest paid on capital debt	-	(48,079)	(124,113)
Principal paid on capital debt	-	-	(652,000)
Net cash flows from capital and related activities	<u>923,047</u>	<u>(201,097)</u>	<u>(891,319)</u>
Cash flows from investing activities:			
Interest received	75,870	5,086	110,373
Payments on notes receivable	978,292	-	-
Net cash flows from investing activities	<u>1,054,162</u>	<u>5,086</u>	<u>110,373</u>
Net change in cash and cash equivalents	<u>2,810,050</u>	<u>1,114,911</u>	<u>294,417</u>
Cash and cash equivalents - beginning (including restricted cash)	<u>5,494,575</u>	<u>762,442</u>	<u>10,829,261</u>
Cash and cash equivalents - ending (including restricted cash)	<u>\$ 8,304,625</u>	<u>\$ 1,877,353</u>	<u>\$ 11,123,678</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Operating income (loss)	\$ (527,424)	\$ (284,343)	\$ 1,326,114
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation expense	901,121	569,314	710,254
(Increase) decrease in accounts receivable	100,316	(844)	(3,174)
(Increase) decrease in inventory	24,537	-	-
Increase (decrease) in accounts payable	257,041	141,487	(75,679)
Increase (decrease) in deposits	(4,217)	-	-
Increase (decrease) in compensated absences	2,636	1,264	1,892
Increase (decrease) in closure and post closure liability	-	-	-
Total adjustments	<u>1,281,434</u>	<u>711,221</u>	<u>633,293</u>
Net cash flows from operating activities	<u>\$ 754,010</u>	<u>\$ 426,878</u>	<u>\$ 1,959,407</u>
Supplemental schedule of non-cash investing and financing activities			
Non-cash contributions of capital assets	\$ 1,573,118	\$ 569,728	\$ -

The accompanying notes are an integral part of the financial statements.

Other Proprietary Funds	Total	Public Works Facilities Internal Service Fund
\$ 1,611,771	\$ 7,929,184	\$ 77,614
(620,256)	(2,340,571)	(16,335)
(610,820)	(2,067,623)	(3,980)
<u>380,695</u>	<u>3,520,990</u>	<u>57,299</u>
-	(866,421)	-
997,004	1,881,048	5,128
5,928	67,136	-
<u>1,002,932</u>	<u>1,081,763</u>	<u>5,128</u>
29,960	225,256	-
-	49,592	334,559
(288,317)	(3,753,013)	(334,559)
51,454	79,265	-
	3,846,820	
(4,199)	(176,391)	(20,368)
(57,575)	(709,575)	-
<u>(268,677)</u>	<u>(438,046)</u>	<u>(20,368)</u>
10,280	201,609	43
10,898	989,190	-
<u>21,178</u>	<u>1,190,799</u>	<u>43</u>
<u>1,136,128</u>	<u>5,355,506</u>	<u>42,102</u>
1,490,557	18,576,835	(42,102)
<u>\$ 2,626,685</u>	<u>\$ 23,932,341</u>	<u>\$ -</u>
\$ (21,006)	\$ 493,341	\$ 29,930
203,057	2,383,746	21,169
160,479	256,777	(7,798)
4,910	29,447	-
27,184	350,033	13,998
-	(4,217)	-
2,486	8,278	-
3,585	3,585	-
<u>401,701</u>	<u>3,027,649</u>	<u>27,369</u>
<u>\$ 380,695</u>	<u>\$ 3,520,990</u>	<u>\$ 57,299</u>
\$ 5,199,429	\$ 7,342,275	\$ -

CEDAR CITY, UTAH
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

	<u>Agency Funds</u>		<u>Total</u>
	<u>Task Force Trust</u>	<u>Festival City Development Foundation</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 73,389	\$ 65,766	\$ 139,155
Receivable from other governmental entities	-	5,975	5,975
Long-term assets:			
Land	-	240,546	240,546
Buildings	-	1,669,485	1,669,485
Machinery and equipment	-	5,248	5,248
Less: Accumulated depreciation	-	(265,068)	(265,068)
Total assets	<u>73,389</u>	<u>1,721,952</u>	<u>1,795,341</u>
LIABILITIES			
Due to others	<u>2,119</u>	<u>20</u>	<u>2,139</u>
Total liabilities	<u>2,119</u>	<u>20</u>	<u>2,139</u>
NET ASSETS			
Held in trust for others	<u>\$ 71,270</u>	<u>\$ 1,721,932</u>	<u>\$ 1,793,202</u>

The accompanying notes are an integral part of the financial statements.

CEDAR CITY, UTAH
Statement of Changes in Fiduciary Net Assets
Agency Funds
June 30, 2011

	<u>Agency Funds</u>		<u>Total</u>
	<u>Task Force</u>	<u>Festival City</u>	
	<u>Trust Fund</u>	<u>Development Foundation</u>	
Additions			
Investment earnings:			
Interest	\$ 413	\$ 561	\$ 974
Other revenues	10,000	-	10,000
Total additions	<u>10,413</u>	<u>561</u>	<u>10,974</u>
Deductions			
Repairs and maintenance	-	1,485	1,485
Supplies	-	281	281
Insurance	5,014	8,921	13,935
Miscellaneous	19,490	683	20,173
Depreciation	-	33,264	33,264
Total deductions	<u>24,504</u>	<u>44,634</u>	<u>69,138</u>
Change in net assets	(14,091)	(44,073)	(58,164)
Net assets - beginning	85,361	1,766,005	1,851,366
Net assets - ending	<u>\$ 71,270</u>	<u>\$ 1,721,932</u>	<u>\$ 1,793,202</u>

The accompanying notes are an integral part of the financial statements.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of Cedar City, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based upon the application of these criteria, there are two separate component units.

Blended Component Units

The City established a Redevelopment Agency pursuant to the Utah Neighborhood Development act and designated the municipal council and the mayor as the Redevelopment Agency. The Redevelopment Agency is participating in the Port 15 economic development area. The Redevelopment Agency is presented as a special revenue fund of the city.

The City established the Municipal Building Authority of Cedar City, Utah to facilitate construction of public facilities. The mayor and council serve as the governing board of the Authority. The Municipal Building Authority of Cedar City, Utah is presented as a debt service fund of the City.

The accompanying financial statements include all activities of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the 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.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

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. For this purpose, 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, franchise taxes, and earned but unreimbursed state and federal grants 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

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued.

receivable received 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 City.

The City reports the following major governmental funds:

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

The Aquatic Center Capital Projects Fund is used to account for the revenues, other financing sources, and expenses related to the construction of the aquatic center.

The Municipal Building Authority Debt Service Fund is used to account for the debt service activities on public facilities owned by the Municipal Building Authority of Cedar City, Utah.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Sewer Collection Fund and the Regional Sewer Plant Fund account for the operation and maintenance of the City-owned collection and treatment system for wastewater.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

GASB 54 Implementation

The City implemented the provisions of newly issued GASB Statement No. 54 in reporting its funds and fund balances. Details regarding the presentation of fund balances can be found in Note 8. As a result of the new fund definitions provided by the standard, the City determined that two of its special revenue funds as previously reported no longer qualified as special revenue funds. Therefore, the assets, liabilities, and all activity of the funds were combined with the general fund as of June 30, 2011. The combination of the funds resulted in an increase to beginning fund balance in the general fund of \$3,300.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and Prepaid Items

Inventories of the governmental and business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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.

Depreciation of all exhaustible fixed assets used is charged as an expense against operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and sewer system improvement	10-75 years
Buildings	20-50 years
Machinery and equipment	5-15 years
Roads and infrastructure	15-20 years
Improvements other than buildings	10-50 years

Compensated Absences

City employees accumulate one day of sick leave for each month of service. There is no limit on sick leave accrual. Employees with sick leave accrued in excess of 60 days may be paid 25 percent of the unused sick leave accrued during the current calendar year. Employees who were regular full time employees of the city for a minimum of ten years, or fifteen years if hired after August 23, 2006, and who are eligible for retirement, are eligible for continued medical, dental, and vision insurance upon retirement for three years or until they are Medicare eligible, whichever comes first. Employees who are not retired prior to June 30, 2016, are not eligible for retiree health care benefits.

City employees accrue vacation leave in varying amounts depending on the years of service. An employee may carry over into the following calendar year the amount of vacation leave that the employee accrues in one year plus 40 hours. Any accumulated vacation leave in excess of the annual accrual plus 40 hours will be lost at the end of the calendar year.

Vacation and sick leave are charged to operations as they are used. No provision has been made in the financial statements for unused sick leave as the low degree of reliability and the cost of making the evaluating estimates of this liability would be too great.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

GAAP requires management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the business-type activities consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 19,026,258
Bond issuance costs	(82,780)
Compensated absences	681,179
Accrued interest	150,167
Net OPEB obligation	<u>155,495</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 19,930,319</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 7,966,073
Depreciation expense	<u>(4,184,981)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 3,781,092</u></u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Principal payments on long-term debt	\$ 9,742,000
Bond proceeds	(8,368,258)
Changes in bond issuance costs	82,780
Changes in accrued interest payable	<u>(26,555)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,429,967</u>

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the city in its governmental funds, therefore, all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The City can make adjustments to the adopted budget through public hearings. During the fiscal year, the City made budget adjustments through public hearings the effects of which were material and are reflected in management’s discussion and analysis.

Before the first scheduled council meeting in May, all agencies of the City submit requests for appropriation to the City’s financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City council for review at the first scheduled meeting in May. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmation vote of a majority of the City council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 3. Stewardship, Compliance, and Accountability, Continued

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Taxes

Iron County assesses all taxable property other than centrally assessed property, which is assessed through the state, by May 22 of each year. The City should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due November 30 of each year. After January 15 of the following year, delinquent taxes and penalty bear interest of 6 percent above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year-end.

An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2011, \$317,924 of the City's bank balance of \$645,466 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 4. Deposits and Investments, Continued

As of June 30, 2011, the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State Treasurer's Investment Pool	\$ 31,529,746	\$ 31,529,746	\$ -	\$ -	\$ -
First American Prime Obligation Fund	1,374,707	1,374,707	-	-	-
	<u>\$ 32,904,453</u>	<u>\$ 32,904,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2011, the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State Treasurer's Investment Pool	\$ 31,529,746	\$ -	\$ -	\$ -	\$ 31,529,746
First American Prime Obligation Fund	1,374,707	1,374,707	-	-	-
Total Fair Value	<u>\$ 32,904,453</u>	<u>\$ 1,374,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,529,746</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets, not being depreciated:				
Land	\$ 47,444,100	\$ 725,614	\$ (10,000)	\$ 48,159,714
Construction in progress	16,179,292	7,776,569	(8,731,020)	15,224,841
Total capital assets, not being depreciated	<u>63,623,392</u>	<u>8,502,183</u>	<u>(8,741,020)</u>	<u>63,384,555</u>
Capital assets, being depreciated:				
Buildings and improvements	36,028,099	12,483,122	(14,962,684)	33,548,537
Improvements other than buildings	57,681,047	4,735,514	(875,954)	61,540,607
Office furniture and equipment	527,903	33,834	(62,061)	499,676
Machinery and equipment	2,488,529	315,450	(30,079)	2,773,900
Automobiles and trucks	6,033,873	161,292	(61,410)	6,133,755
Total capital assets, being depreciated	<u>102,759,451</u>	<u>17,729,212</u>	<u>(15,992,188)</u>	<u>104,496,475</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,698,619)	(730,010)	2,641,738	(3,786,891)
Improvements other than buildings	(21,337,191)	(2,775,900)	860,731	(23,252,360)
Office furniture and equipment	(365,508)	(42,222)	60,048	(347,682)
Machinery and equipment	(1,117,663)	(175,119)	21,230	(1,271,552)
Automobiles and trucks	(3,111,361)	(482,899)	61,402	(3,532,858)
Total accumulated depreciation	<u>(31,630,342)</u>	<u>(4,206,150)</u>	<u>3,645,149</u>	<u>(32,191,343)</u>
Total capital assets, being depreciated, net	<u>71,129,109</u>	<u>13,523,062</u>	<u>(12,347,039)</u>	<u>72,305,132</u>
Governmental activities capital assets, net	<u>\$ 134,752,501</u>	<u>\$ 22,025,245</u>	<u>\$ (21,088,059)</u>	<u>\$ 135,689,687</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 143,537
Police protection	248,657
Other public safety and inspection services	132,982
Streets and highways	2,068,833
Parks, cemetery, and public property	833,060
Culture and recreation	195,426
Public works	51,805
Community and economic development	16,759
Transportation services	515,091
Total depreciation expense - governmental activities	<u>\$ 4,206,150</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 5. Capital Assets, Continued

Business-type Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets not being depreciated:				
Land and water rights	\$ 11,048,163	\$ 1,010,119	\$ -	\$ 12,058,282
Construction in progress	6,691,616	2,417,279	(4,993,430)	4,115,465
Total capital assets, not being depreciated	<u>17,739,779</u>	<u>3,427,398</u>	<u>(4,993,430)</u>	<u>16,173,747</u>
Capital assets being depreciated:				
Buildings	2,920,737	870,076	-	3,790,813
Improvements other than buildings	80,926,985	11,448,258	(9,384)	92,365,859
Office furniture and equipment	25,903	6,790	-	32,693
Machinery and equipment	1,522,301	70,551	(171,796)	1,421,056
Automobiles and trucks	1,629,369	265,646	(175,209)	1,719,806
Total capital assets, being depreciated	<u>87,025,295</u>	<u>12,661,321</u>	<u>(356,389)</u>	<u>99,330,227</u>
Less accumulated depreciation for:				
Buildings	(1,404,894)	(87,851)	-	(1,492,745)
Improvements other than buildings	(22,465,013)	(2,048,661)	9,384	(24,504,290)
Office furniture and equipment	(11,734)	(4,821)	-	(16,555)
Machinery and equipment	(704,904)	(94,718)	147,050	(652,572)
Automobiles and trucks	(896,266)	(147,693)	89,188	(954,771)
Total accumulated depreciation	<u>(25,482,811)</u>	<u>(2,383,744)</u>	<u>245,622</u>	<u>(27,620,933)</u>
Total capital assets, being depreciated, net	<u>61,542,484</u>	<u>10,277,577</u>	<u>(110,767)</u>	<u>71,709,294</u>
Business-type activities capital assets, net	<u>\$ 79,282,263</u>	<u>\$ 13,704,975</u>	<u>\$ (5,104,197)</u>	<u>\$ 87,883,041</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011.

	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
Governmental activities:					
General obligation bonds:					
Library bond	\$ 1,350,000	\$ -	\$ 160,000	\$ 1,190,000	\$ 170,000
Library bond CIB	1,918,000	-	92,000	1,826,000	94,000
Aquatic center bond 2009	7,000,000	-	168,000	6,832,000	175,000
Total general obligation	<u>10,268,000</u>	<u>-</u>	<u>420,000</u>	<u>9,848,000</u>	<u>439,000</u>
Special assessment bonds:					
02-1 Special assessment bond	737,000	-	172,000	565,000	179,000
98-1 Special assessment bond	480,000	-	235,000	245,000	245,000
Total special assessment	<u>1,217,000</u>	<u>-</u>	<u>407,000</u>	<u>810,000</u>	<u>424,000</u>
Revenue bonds:					
MBA lease revenue bond 1999B	560,000	-	560,000	-	-
MBA refunding lease revenue bond 2001A	8,355,000	-	8,355,000	-	-
Sales tax revenue refunding bond 2011	-	8,260,000	-	8,260,000	695,000
Bond premium	-	108,258	-	108,258	-
Total revenue bonds	<u>8,915,000</u>	<u>8,368,258</u>	<u>8,915,000</u>	<u>8,368,258</u>	<u>695,000</u>
Governmental activity long-term liabilities	<u>20,400,000</u>	<u>8,368,258</u>	<u>9,742,000</u>	<u>19,026,258</u>	<u>1,558,000</u>
Business-type activities:					
Revenue bonds:					
Sewer revenue bond 1994	4,454,000	-	652,000	3,802,000	670,000
Storm drain revenue bond 2000	85,000	-	11,000	74,000	12,000
Water revenue bond 2011	-	3,860,000	-	3,860,000	160,000
Bond premium	-	92,702	-	92,702	-
Total revenue bonds	<u>4,539,000</u>	<u>3,952,702</u>	<u>663,000</u>	<u>7,828,702</u>	<u>842,000</u>
Capital Leases:					
Wells Fargo equipment lease	46,575	-	46,575	-	-
Total capital leases	<u>46,575</u>	<u>-</u>	<u>46,575</u>	<u>-</u>	<u>-</u>
Business-type activity long-term liabilities	<u>4,585,575</u>	<u>3,952,702</u>	<u>709,575</u>	<u>7,828,702</u>	<u>842,000</u>
Total long-term liabilities	<u>\$ 24,985,575</u>	<u>\$ 12,320,960</u>	<u>\$ 10,451,575</u>	<u>\$ 26,854,960</u>	<u>\$ 2,400,000</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-Term Debt, Continued

Bonds payable at June 30, 2011 is comprised of the following issues:

General obligation bonds:

Governmental activities:

Library General Obligation Bonds - Series 2003 issued for \$2,520,000 payable in annual installments of \$75,000 to \$205,000 bearing interest of 2.5% to 4.25%	\$ 1,190,000
Library General Obligation Bonds - Series 2002A issued for \$2,500,000 payable in installments of \$77,000 to \$136,000 bearing interest of 2.5%	1,826,000
Aquatic Center General Obligation Bonds - Series 2009 issued for \$7,000,000 payable in installments of \$168,000 to \$430,000 bearing interest of 4.0%	<u>6,832,000</u>
Total general obligation bonds	<u>9,848,000</u>

Revenue bonds:

Governmental activities:

Sales Tax Revenue Refunding Bonds - Series 2011 issued for \$8,260,000 payable in installments of \$695,000 to \$935,000 bearing interest of 2.0% to 3.5%	8,260,000
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Business-type activities:

Sewer Revenue Bonds dated August 18, 1994 issued for \$12,010,000 payable in installments of \$458,000 and \$768,000 bearing interest of 2.75%	3,802,000
Sewer Revenue Bond Series 2000 (Community Impact Bonus Loans) issued for \$166,190 payable in annual installments of \$9,190 to \$13,000 bearing interest of 2.5%	74,000
Water Revenue Bonds - Series 2011 issued for \$3,860,000 payable in installments of \$145,000 to \$265,000, bearing interest of 2.50% to 4.30%	<u>3,860,000</u>
Total revenue bonds	<u>15,996,000</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-Term Debt, Continued

Special assessment bonds

Special Assessment Bonds 98-1 issued for \$2,030,000 payable in installments of \$165,000 to \$245,000 bearing interest of 3.15% to 5.2%	245,000
Special Assessment Bonds 2002-1 Series 2003 payable in installments of \$148,000 to \$198,000 bearing interest of 1.5% to 5.25%	<u>565,000</u>
Total special assessment bonds	<u>810,000</u>
Total long-term debt	26,654,000
Plus: Bond premium	
Governmental activities	108,258
Business-type activities	92,702
Less: Current portion:	
Governmental activities	(1,558,000)
Business-type activities	<u>(842,000)</u>
Net long-term debt	<u><u>\$ 24,454,960</u></u>

The City's total bonded debt service maturities at June 30, 2011 are as follows:

Year Ended June 30,	Business-type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 842,000	\$ 223,720	\$ 1,065,720	\$ 1,558,000	\$ 678,336	\$ 2,236,336
2013	846,000	223,526	1,069,526	1,406,000	574,254	1,980,254
2014	865,000	200,652	1,065,652	1,446,000	533,648	1,979,648
2015	889,000	176,532	1,065,532	1,283,000	491,228	1,774,228
2016	915,000	151,740	1,066,740	1,319,000	454,013	1,773,013
2017-2021	1,129,000	545,755	1,674,755	6,403,000	1,675,126	8,078,126
2022-2026	1,020,000	374,560	1,394,560	2,037,000	904,015	2,941,015
2027-2031	1,230,000	159,921	1,389,921	1,841,000	538,320	2,379,320
2032-2036	-	-	-	1,625,000	165,640	1,790,640
Total	<u>\$ 7,736,000</u>	<u>\$ 2,056,406</u>	<u>\$ 9,792,406</u>	<u>\$ 18,918,000</u>	<u>\$6,014,580</u>	<u>\$ 24,932,580</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The special assessment debt with government commitment listed above is payable from the special assessments levied against and secured by a lien upon the lots, tracts and parcels of land within the district. In the event that the assessments are insufficient to pay the bonds and interest thereon as they become due, the deficiency shall be paid out of the SID Guarantee fund until depleted and then the general fund of the City. If the general fund does not have sufficient revenues to pay the debt service, the City council is required to levy a tax sufficient to provide payment of the debt.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 7. Interfund Transactions and Balances

Individual fund receivable and payable balances at June 30, 2011 were:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 643,547	\$ -
Aquatic Center Capital Project Fund	-	216,902
Nonmajor Governmental Funds	870,000	31,625
Public Works Facilities Internal Service Fund	-	514,321
Water Fund	304,742	-
Sewer Collection System Fund	-	1,876,207
Sewer Plant Fund	1,876,207	-
Nonmajor Proprietary Funds	-	1,055,441
Total	<u>\$ 3,694,496</u>	<u>\$ 3,694,496</u>

Loans outstanding from the general fund, capital improvements fund, water fund, and regional sewer fund in the amount of \$3,227,563 to the storm drain fund, public works facilities internal service fund and the sewer collection system fund for the acquisition and construction of capital assets. Payments of principal and interest are made annually on the loans.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Transfer in:	Transfers out:		
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Transfers in</u>
General Fund	\$ -	\$ 675,941	\$ 675,941
Municipal Building Authority	952,352	8,369,352	9,321,704
Aquatic Center	-	133,561	133,561
Nonmajor Governmental Funds	1,755,386	169,555	1,924,941
Water Fund	-	61,208	61,208
Nonmajor Proprietary Funds	-	5,928	5,928
Total transfers out	<u>\$ 2,707,738</u>	<u>\$ 9,415,545</u>	<u>\$ 12,123,283</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 8. Equity Classifications

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

- a. Invested in capital assets, net of related debt – consists of 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.
- b. Restricted net assets – consists of 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity is classified in the 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 (1) not in spendable form, or (2) 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 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 resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Manager, Finance Director, and Division/Department Heads are 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.

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 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.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 8. Equity Classifications, Continued

The components of fund equity are as follows:

Governmental Activities

General fund:

Nonspendable	
Inventory	\$ 105,248
Prepays	450
Total nonspendable	<u>\$ 105,698</u>

Restricted for:

Community development	
Class C roads	\$ 1,487,426
State liquor funds	26,290
Perry legacy donation	10,743
Other	
Federal and state grants	74,849
Total restricted	<u>\$ 1,599,308</u>

Committed to:

Traffic school	\$ 19,931
Total committed	<u>\$ 19,931</u>

Aquatic Center Capital Project fund:

Restricted for:	
Capital projects	\$ 97,129
Total restricted	<u>\$ 97,129</u>

Municipal Building Authority fund:

Restricted for:	
Debt service	\$ 37
Total restricted	<u>\$ 37</u>

Other Governmental funds:

Restricted for:

Capital projects	
Capital improvement	\$ 229,837
Debt service	
Debt service	10,580
SID guarantee	81,003
SID 98-1	254,644
Community development	
Transportation impact fees	995,256
Park impact fees	290,752
Public safety impact fees	37,593
RAP tax	854,385
Other	
Parking authority	107,577
RDA	901,306
Task force	197,643
Total restricted	<u>\$ 3,960,576</u>

Committed to:

Aquatic center	\$ 400
Airport	415,819
RDA	1,789,211
Total committed	<u>\$ 2,205,430</u>

Assigned to:

Debt service	\$ 98,000
Capital improvements	3,955,090
Total assigned	<u>\$ 4,053,090</u>

Business-type Activities

Water fund:

Restricted for:	
Community development	\$ 1,475,611
Total restricted	<u>\$ 1,475,611</u>

Regional sewer plant fund:

Restricted for:	
Debt service	\$ 1,374,707
Community development	708,422
Total restricted	<u>\$ 2,083,129</u>

Non-major proprietary funds:

Restricted for:

Community development	
Storm drain	\$ 747,988
Total restricted	<u>\$ 747,988</u>

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 9. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Cedar City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Noncontributory Retirement System and the Firefighter's Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans 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 Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Cedar City is required to contribute 11.66 percent of their annual covered salary. In the Public Safety Noncontributory Retirement System, Cedar City was required to contribute 28.82 percent of their annual covered salary. In the Firefighter's System, the City contributes 15.05 percent. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 9. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2011 fiscal year and the two previous years are as follows:

Year Ended 6/30	Employee paid contributions	Employer paid for employee contributions	Employer contributions	Salary subject to retirement contributions
Noncontributory System:				
Local Governmental Division				
2011	N/A	N/A	\$ 529,650.78	\$ 3,961,491.00
2010	N/A	N/A	532,255.87	4,564,811.74
2009	N/A	N/A	536,170.16	4,614,186.79
Public Safety System:				
Other Division A Contributory				
2011	N/A	\$ 7,497.12	\$ 11,187.84	\$ 61,002.25
2010	N/A	8,121.88	9,919.52	66,085.82
2009	N/A	8,121.88	8,164.91	66,085.79
Other Division A Noncontributory				
2011	N/A	N/A	\$ 362,331.72	\$ 1,257,222.06
2010	N/A	N/A	354,237.49	1,367,709.70
2009	N/A	N/A	323,188.35	1,361,250.75
Firefighters System:				
Division A				
2011	N/A	\$ 64,157.77	\$ 7,332.43	\$ 426,296.56
2010	N/A	62,791.99	N/A	465,471.72
2009	N/A	52,397.47	N/A	398,760.60
Defined Contribution System:				
401(k) Plan				
2011	\$ 139,239.07	\$ 27,320.96		
2010	163,133.91	33,008.45		
2009	163,529.86	29,487.03		
Roth IRA Plan				
2011	\$ 2,070.00			
2010	736.90	-		
2009	4,999.80	-		

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 10. Other Post-employment Benefits

Effective July 1, 2008, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*.

Plan Description

In addition to the benefits described in Note 11, the City provides postemployment health care benefits, through a single employer defined benefit plan, to all employees who retire from the City and qualify to retire from any of the Utah State Retirement Systems. The benefits, benefit levels, employee contributions and employer contributions are governed by City policy, and can be amended at any time. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

Funding Policy

The City currently pays for postemployment benefits other than pensions on a “pay-as-you-go” basis.

Annual OPEB and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on the employer’s annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years. For the fiscal year ended June 30, 2011, the City’s OPEB cost (expense) of \$45,728 was \$8,529 less than the ARC. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$	54,257
Interest on net OPEB obligation		5,777
Adjustments to annual required contribution		<u>(14,306)</u>
Annual OPEB cost (expense)		45,728
Contributions made		<u>(10,912)</u>
Increase in net OPEB obligation		34,816
Net OPEB obligations - beginning of year		<u>120,679</u>
Net OPEB obligations - end of year	\$	<u><u>155,495</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Fiscal Year Ended
June 30, 2011	\$ 45,728	10,912	23.9%	\$ 155,495

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 10. Other Post-employment Benefits, Continued

Funded Status and Funding Progress

The funded status of the City's plan as of June 30, 2011 is as follows:

Actuarial valuation date		July 1, 2009
Actuarial accrued liability (AAL)	\$	327,517
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	327,517
Funded ratio (actuarial value of plan assets / AAL)		0.0%
Covered payroll (active plan members)	\$	6,303,411
UAAL as a percentage of covered payroll		5.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, presents the results of OPEB valuations as of June 30, 2011 and looking forward. The schedule provides multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and the plan members) and include the types of benefits at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the fiscal year 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 11 years. Covered payroll included a 3.0 percent inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of payroll over thirty years based on an open group.

The City also provides health, dental, and employee assistance benefits to terminated employees under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA). Substantially all employees are eligible for these benefits upon termination of employment with the City. Depending upon the qualifying event, former employees are eligible for either 18 or 36 months of benefits under this act. The premiums for this coverage plus a 2 percent administrative charge are paid 100 percent by the former employee.

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 11. 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; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or citywide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Risk Management Mutual Association (URMMA). As of June 30, 2011, the City had \$213,851 in outstanding recaptured losses that will be paid with premiums due in future years. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

NOTE 12. Individual Fund Disclosures

Segment Information

For information on the enterprise funds, see the proprietary funds' financial statements in the fund financial statements and the combining financial statements in the supplementary section.

NOTE 13. Redevelopment Agency

In accordance with Section 17A-2-1219, Utah Code Annotated, all municipalities having established Redevelopment Agency's are required to disclose the following revenues and expenditures associated with the various project areas:

	Cedar Downtown	Port 15
Tax increment collected	\$ -	\$ 69,178
Interest income	\$ 14,090	\$ -
Miscellaneous revenues	\$ 327,730	\$ -
Balance of debt	None	None
Funds expended:		
Site improvements and maintenance	\$ 68,318	\$ 28,695
Debt service	\$ -	\$ -
Administrative costs	\$ 11,260	\$ 36,830
Net transfers in (out)	\$ 8,718	\$ -

CEDAR CITY, UTAH
Notes to the Financial Statements
June 30, 2011

NOTE 14. Litigation

The City is presently involved in several matters of litigation. The City is also in the process of negotiating settlements on some claims or resolving the matters by other means. The outcome of these cases is uncertain.

NOTE 15. Landfill Closure and Post-Closure Care Costs

Cedar City has estimated closure and post-closure care costs for the City landfill to be \$49,478. The nature and source of these costs as estimated by Cedar City are described below as well as other pertinent information concerning the landfill.

As of the date of this report, the City had not been notified of any corrective actions that need to be taken towards the landfill.

The City has placed funds in a restricted account with the Public Treasurer's Investment pool sufficient to provide for the estimated closure and post-closure costs.

	<u>Bulloch Pit</u>
Closure costs:	
Cover material	\$ 47,122
Total closure costs	<u>47,122</u>
Post-closure costs:	
Vegetative cover	<u>2,356</u>
Total post-closure costs	<u>2,356</u>
Total costs	<u>\$ 49,478</u>

To date, Cedar City had not incurred any closure or post-closure care costs but has recorded a liability of \$20,667 towards these costs.

Estimated landfill capacity used to date based on the city engineers estimates are as follows:

Bulloch Pit 41.77 percent

The City estimates the useful life of the landfill as follows:

Bulloch Pit 11.37 years

REQUIRED SUPPLEMENTARY INFORMATION

CEDAR CITY, UTAH
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 11,682,323	\$ 11,682,323	\$ 12,036,753	\$ 354,430
Interest earnings	43,990	43,990	45,627	1,637
Licenses and permits	357,500	357,500	334,819	(22,681)
Intergovernmental revenues	1,859,654	2,074,664	1,997,420	(77,244)
Charges for services	1,144,287	1,183,147	1,277,142	93,995
Fines and forfeitures	204,500	204,500	221,143	16,643
Miscellaneous	22,355	75,340	68,860	(6,480)
Total revenues	<u>15,314,609</u>	<u>15,621,464</u>	<u>15,981,764</u>	<u>360,300</u>
Expenditures:				
General government				
Administration	1,336,589	1,344,989	1,284,624	60,365
Police protection				
Police	3,921,312	4,080,792	3,869,249	211,543
Other public safety and inspection services				
Fire department	1,068,676	1,085,646	1,034,829	50,817
Protective inspection	175,624	175,624	168,822	6,802
Animal control	178,086	183,086	151,521	31,565
Justice court	47,091	47,091	40,845	6,246
Streets and highways				
Streets and highways	3,085,963	3,687,928	3,269,169	418,759
Parks, cemetery and public property				
City building	166,270	166,270	115,145	51,125
Parks and cemetery	872,267	992,142	754,646	237,496
Culture and recreation				
Recreation	340,121	343,591	342,292	1,299
Library	508,487	523,792	498,030	25,762
Cross Hollows events center	172,509	255,139	160,292	94,847
Heritage center	372,866	372,866	326,999	45,867
Public works				
City engineer	639,708	639,708	620,621	19,087
Public works administration	239,421	239,421	234,645	4,776
Fleet and warehouse	467,087	474,797	467,833	6,964
Community and economic development				
Community promotions	151,500	139,025	118,368	20,657
Economic development	292,261	301,076	266,499	34,577
Public relations	-	2,475	2,257	218
Total expenditures	<u>14,035,838</u>	<u>15,055,458</u>	<u>13,726,686</u>	<u>1,328,772</u>
Excess of revenues over (under) expenditures	<u>1,278,771</u>	<u>566,006</u>	<u>2,255,078</u>	<u>(1,689,072)</u>
Other financing sources (uses):				
Operating transfers in	729,090	979,260	675,941	(303,319)
Operating transfers out	(2,027,314)	(3,027,314)	(2,707,738)	319,576
Total other financing sources (uses)	<u>(1,298,224)</u>	<u>(2,048,054)</u>	<u>(2,031,797)</u>	<u>16,257</u>
Net change in fund balance	(19,453)	(1,482,048)	223,281	1,705,329
Fund balance, beginning of year	<u>4,080,900</u>	<u>4,080,900</u>	<u>4,080,900</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,061,447</u>	<u>\$ 2,598,852</u>	<u>\$ 4,304,181</u>	<u>\$ 1,705,329</u>

CEDAR CITY, UTAH
Schedule of Funding Progress
Retiree Healthcare Insurance Plan
Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Actuarial Liability UAAL (a - b)	Funded Ratio (a / b)	Annualized Covered Payroll	UAAL as a percent of covered payroll
July 1, 2008	\$ -	\$ 1,191,328	\$ 1,191,328	0.0%	\$ 6,119,817	19.5%
July 1, 2009	\$ -	\$ 327,517	\$ 327,517	0.0%	\$ 6,303,411	5.2%

COMBINING STATEMENTS

CEDAR CITY, UTAH
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Special Revenue Funds				
	Airport	Downtown Parking	Transportation Impact Fees	Parks/Recreation Impact Fees	Public Safety Impact Fees
Assets:					
Cash and cash equivalents	\$ 436,073	\$ 715	\$ 63,548	\$ 36,854	\$ 700
Special assessments receivable	-	-	-	-	-
Other receivables	477,688	-	-	-	-
Due from other funds	-	-	-	-	-
Temporarily restricted assets:					
Cash and cash equivalents	-	107,576	995,256	290,752	37,593
Other receivables	-	-	-	-	-
Total assets	\$ 913,761	\$ 108,291	\$ 1,058,804	\$ 327,606	\$ 38,293
Liabilities:					
Accounts payable	\$ 496,667	\$ 715	\$ 63,548	\$ 36,854	\$ 700
Due to other funds	-	-	-	-	-
Deferred revenue	1,275	-	-	-	-
Total liabilities	497,942	715	63,548	36,854	700
Fund balances:					
Restricted for:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Community development	-	-	995,256	290,752	37,593
Other	-	107,576	-	-	-
Committed	415,819	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	415,819	107,576	995,256	290,752	37,593
Total liabilities and fund balances	\$ 913,761	\$ 108,291	\$ 1,058,804	\$ 327,606	\$ 38,293

CEDAR CITY, UTAH
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Special Revenue Funds, Continued				
	Aquatic Center	Task Force	Cedar Area Transit	Redevelopment Agency	RAP Sales Tax Fund
Assets:					
Cash and cash equivalents	\$ 41,828	\$ 4,392	\$ -	\$ 1,655,024	\$ -
Special assessments receivable	-	-	-	-	-
Other receivables	-	-	35,130	136,203	-
Due from other funds	-	-	-	-	-
Temporarily restricted assets:					
Cash and cash equivalents	-	182,663	-	901,306	779,525
Other receivables	-	14,981	-	-	74,860
Total assets	\$ 41,828	\$ 202,036	\$ 35,130	\$ 2,692,533	\$ 854,385
Liabilities:					
Accounts payable	\$ 41,428	\$ 4,392	\$ 3,505	\$ 2,016	\$ -
Due to other funds	-	-	31,625	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	41,428	4,392	35,130	2,016	-
Fund balances:					
Restricted for:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Community development	-	-	-	-	854,385
Other	-	197,644	-	901,306	-
Committed	400	-	-	1,789,211	-
Assigned	-	-	-	-	-
Total fund balances	400	197,644	-	2,690,517	854,385
Total liabilities and fund balances	\$ 41,828	\$ 202,036	\$ 35,130	\$ 2,692,533	\$ 854,385

CEDAR CITY, UTAH
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Debt Service Funds						
	Bond Sinking Fund	Special Improve #93-1	Special Improve #95-2	Special Improve #97-1	Special Improve #98-1	Special Improve #2002-1	Special Improve Guarantee
Assets:							
Cash and cash equivalents	\$ 98,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments receivable	-	251,399	3,659	66,284	147,312	531,550	-
Other receivables	21	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Temporarily restricted assets:							
Cash and cash equivalents	10,580	-	-	-	254,644	-	81,003
Other receivables	-	-	-	-	-	-	-
Total assets	\$ 109,113	\$ 251,399	\$ 3,659	\$ 66,284	\$ 401,956	\$ 531,550	\$ 81,003
Liabilities:							
Accounts payable	\$ 533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	251,399	3,659	66,284	147,312	531,550	-
Total liabilities	533	251,399	3,659	66,284	147,312	531,550	-
Fund balances:							
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Debt service	10,580	-	-	-	254,644	-	81,003
Community development	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	98,000	-	-	-	-	-	-
Total fund balances	108,580	-	-	-	254,644	-	81,003
Total liabilities and fund balances	\$ 109,113	\$ 251,399	\$ 3,659	\$ 66,284	\$ 401,956	\$ 531,550	\$ 81,003

CEDAR CITY, UTAH
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Capital Projects Funds					Total Nonmajor Governmental Funds
	Coal Creek Flood Control Capital Project Fund	Cove Drive Capital Project Fund	Airport Construction Capital Project Fund	Capital Improvement	Ball Diamond Complex	
Assets:						
Cash and cash equivalents	\$ 361,522	\$ 36,651	\$ 38,029	\$ 2,572,116	\$ 74,107	\$ 5,420,071
Special assessments receivable	-	-	-	-	-	1,000,204
Other receivables	-	8,354	-	-	-	657,396
Due from other funds	-	-	-	870,000	-	870,000
Temporarily restricted assets:						
Cash and cash equivalents	-	-	-	229,837	-	3,870,735
Other receivables	-	-	-	-	-	89,841
Total assets	\$ 361,522	\$ 45,005	\$ 38,029	\$ 3,671,953	\$ 74,107	\$ 11,908,247
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 1,900	\$ -	\$ 3,789	\$ 656,047
Due to other funds	-	-	-	-	-	31,625
Deferred revenue	-	-	-	-	-	1,001,479
Total liabilities	-	-	1,900	-	3,789	1,689,151
Fund balances:						
Restricted for:						
Capital projects	-	-	-	229,837	-	229,837
Debt service	-	-	-	-	-	346,227
Community development	-	-	-	-	-	2,177,986
Other	-	-	-	-	-	1,206,526
Committed	-	-	-	-	-	2,205,430
Assigned	361,522	45,005	36,129	3,442,116	70,318	4,053,090
Total fund balances	361,522	45,005	36,129	3,671,953	70,318	10,219,096
Total liabilities and fund balances	\$ 361,522	\$ 45,005	\$ 38,029	\$ 3,671,953	\$ 74,107	\$ 11,908,247

CEDAR CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds				
	Airport	Downtown Parking	Transportation Impact Fees	Parks/ Recreation Impact Fees	Public Safety Impact Fees
Revenues:					
Taxes	\$ 10,217	\$ -	\$ -	\$ -	\$ -
Interest earnings	2,898	581	6,987	1,520	488
Intergovernmental revenues	1,620,544	-	-	-	-
Charges for services	179,067	41,068	-	-	-
Miscellaneous	83,487	-	85,161	147,596	19,061
Total revenues	<u>1,896,213</u>	<u>41,649</u>	<u>92,148</u>	<u>149,116</u>	<u>19,549</u>
Expenditures:					
Current					
Police protection	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	11,780
Streets and highways	-	-	3,100	-	-
Parks, cemetery and public property	-	19,031	-	3,100	-
Culture and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Community and economic development	-	-	-	-	-
Transportation services	418,944	-	-	-	-
Capital outlay	1,684,144	-	262,979	36,657	-
Debt service:					
Principal retirements	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>2,103,088</u>	<u>19,031</u>	<u>266,079</u>	<u>39,757</u>	<u>11,780</u>
Excess of revenues over (under) expenditures	<u>(206,875)</u>	<u>22,618</u>	<u>(173,931)</u>	<u>109,359</u>	<u>7,769</u>
Other financing sources (uses):					
Bond proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(8,718)	(45,000)	-	(94,440)
Total other financing sources (uses)	<u>-</u>	<u>(8,718)</u>	<u>(45,000)</u>	<u>-</u>	<u>(94,440)</u>
Net change in fund balance	(206,875)	13,900	(218,931)	109,359	(86,671)
Fund balance, beginning of year	<u>622,694</u>	<u>93,676</u>	<u>1,214,187</u>	<u>181,393</u>	<u>124,264</u>
Fund balance, end of year	<u>\$ 415,819</u>	<u>\$ 107,576</u>	<u>\$ 995,256</u>	<u>\$ 290,752</u>	<u>\$ 37,593</u>

CEDAR CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds, Continued				
	Aquatic Center	Task Force	Cedar Area Transit	Redevelopment Agency	RAP Sales Tax Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 69,178	\$ 409,026
Interest earnings	-	209	-	14,089	4,335
Intergovernmental revenues	48,151	59,128	113,507	-	-
Charges for services	332,428	-	30,459	327,730	-
Miscellaneous	-	7,508	-	-	-
Total revenues	<u>380,579</u>	<u>66,845</u>	<u>143,966</u>	<u>410,997</u>	<u>413,361</u>
Expenditures:					
Current					
Police protection	-	63,380	-	-	-
Other public safety and inspection services	-	-	-	-	-
Streets and highways	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-
Culture and recreation	515,339	-	-	-	-
Public works	-	-	-	-	-
Community and economic development	-	-	-	145,103	199,002
Transportation services	-	-	177,871	-	-
Capital outlay	6,331	-	21,147	-	-
Debt service:					
Principal retirements	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total expenditures	<u>521,670</u>	<u>63,380</u>	<u>199,018</u>	<u>145,103</u>	<u>199,002</u>
Excess of revenues over (under) expenditures	<u>(141,091)</u>	<u>3,465</u>	<u>(55,052)</u>	<u>265,894</u>	<u>214,359</u>
Other financing sources (uses):					
Bond proceeds	-	-	-	-	-
Operating transfers in	141,491	-	55,052	8,718	-
Operating transfers out	-	-	-	-	(134,846)
Total other financing sources (uses)	<u>141,491</u>	<u>-</u>	<u>55,052</u>	<u>8,718</u>	<u>(134,846)</u>
Net change in fund balance	400	3,465	-	274,612	79,513
Fund balance, beginning of year	-	194,179	-	2,415,905	774,872
Fund balance, end of year	<u>\$ 400</u>	<u>\$ 197,644</u>	<u>\$ -</u>	<u>\$ 2,690,517</u>	<u>\$ 854,385</u>

CEDAR CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2011

	Debt Service Funds						
	Bond Sinking Fund	Special Improve #93-1	Special Improve #95-2	Special Improve #97-1	Special Improve #98-1	Special Improve #2002-1	Special Improve Guarantee
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	14	-	-	-	1,564	132	651
Intergovernmental revenues	98,000	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Miscellaneous	-	-	-	6,109	26,419	72,052	-
Total revenues	<u>98,014</u>	<u>-</u>	<u>-</u>	<u>6,109</u>	<u>27,983</u>	<u>72,184</u>	<u>651</u>
Expenditures:							
Current							
Police protection	-	-	-	-	-	-	-
Other public safety and inspection services	-	-	-	-	-	-	-
Streets and highways	-	-	-	-	-	-	-
Parks, cemetery and public property	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-
Transportation services	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal retirements	420,000	-	-	-	235,000	172,000	-
Interest and fiscal charges	378,073	-	-	-	25,107	35,884	-
Bond issuance costs	82,780	-	-	-	-	-	-
Total expenditures	<u>880,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,107</u>	<u>207,884</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(782,839)</u>	<u>-</u>	<u>-</u>	<u>6,109</u>	<u>(232,124)</u>	<u>(135,700)</u>	<u>651</u>
Other financing sources (uses):							
Bond proceeds	8,368,258	-	-	-	-	-	-
Operating transfers in	798,073	-	-	-	-	34,636	6,109
Operating transfers out	(8,274,912)	-	-	(6,109)	-	-	(44,936)
Total other financing sources (uses)	<u>891,419</u>	<u>-</u>	<u>-</u>	<u>(6,109)</u>	<u>-</u>	<u>34,636</u>	<u>(38,827)</u>
Net change in fund balance	108,580	-	-	-	(232,124)	(101,064)	(38,176)
Fund balance, beginning of year	-	-	-	-	486,768	101,064	119,179
Fund balance, end of year	<u>\$ 108,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,644</u>	<u>\$ -</u>	<u>\$ 81,003</u>

CEDAR CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2011

	Capital Projects Funds				Total Nonmajor Governmental Funds	
	Coal Creek Flood Control Capital Project Fund	Cove Drive Capital Project Fund	Airport Construction Capital Project Fund	Capital Improvement		Ball Diamond Complex
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 488,421
Interest earnings	-	-	-	20,362	-	53,830
Intergovernmental revenues	-	12,306	436,771	-	-	2,388,407
Charges for services	-	-	-	-	-	910,752
Miscellaneous	-	-	-	-	-	447,393
Total revenues	<u>-</u>	<u>12,306</u>	<u>436,771</u>	<u>20,362</u>	<u>-</u>	<u>4,288,803</u>
Expenditures:						
Current						
Police protection	-	-	-	-	-	63,380
Other public safety and inspection services	-	-	-	-	-	11,780
Streets and highways	-	-	-	-	-	3,100
Parks, cemetery and public property	-	-	-	-	-	22,131
Culture and recreation	-	-	-	-	-	515,339
Public works	-	-	-	13,194	-	13,194
Community and economic development	-	-	-	-	-	344,105
Transportation services	-	-	386,382	-	-	983,197
Capital outlay	62,853	12,301	69,710	-	1,869,573	4,025,695
Debt service:						
Principal retirements	-	-	-	-	-	827,000
Interest and fiscal charges	-	-	-	-	-	439,064
Bond issuance costs	-	-	-	-	-	82,780
Total expenditures	<u>62,853</u>	<u>12,301</u>	<u>456,092</u>	<u>13,194</u>	<u>1,869,573</u>	<u>7,330,765</u>
Excess of revenues over (under) expenditures	<u>(62,853)</u>	<u>5</u>	<u>(19,321)</u>	<u>7,168</u>	<u>(1,869,573)</u>	<u>(3,041,962)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	-	-	8,368,258
Operating transfers in	-	45,000	-	775,300	60,562	1,924,941
Operating transfers out	-	-	-	(806,584)	-	(9,415,545)
Total other financing sources (uses)	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>(31,284)</u>	<u>60,562</u>	<u>877,654</u>
Net change in fund balance	(62,853)	45,005	(19,321)	(24,116)	(1,809,011)	(2,164,308)
Fund balance, beginning of year	<u>424,375</u>	<u>-</u>	<u>55,450</u>	<u>3,696,069</u>	<u>1,879,329</u>	<u>12,383,404</u>
Fund balance, end of year	<u>\$ 361,522</u>	<u>\$ 45,005</u>	<u>\$ 36,129</u>	<u>\$ 3,671,953</u>	<u>\$ 70,318</u>	<u>\$ 10,219,096</u>

CEDAR CITY, UTAH
Combining Statement of Net Assets
Other Proprietary Funds
June 30, 2011

	<u>Golf Course</u>	<u>Storm Drain Utility Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 378,963	\$ 629,734	\$ 1,008,697
Restricted cash and cash equivalents	-	1,617,988	-	1,617,988
Accounts receivable (net of allowance)	3,000	25,434	88,616	117,050
Inventory	-	-	6,935	6,935
Total current assets	<u>3,000</u>	<u>2,022,385</u>	<u>725,285</u>	<u>2,750,670</u>
Non-current assets:				
Note receivable	-	10,899	-	10,899
Capital assets:				
Non-depreciable	106,841	735,478	-	842,319
Depreciable, net of accumulated depreciation	<u>428,515</u>	<u>8,422,093</u>	<u>498,957</u>	<u>9,349,565</u>
Net capital assets	<u>535,356</u>	<u>9,157,571</u>	<u>498,957</u>	<u>10,191,884</u>
Total non-current assets	<u>535,356</u>	<u>9,168,470</u>	<u>498,957</u>	<u>10,202,783</u>
Total assets	<u>538,356</u>	<u>11,190,855</u>	<u>1,224,242</u>	<u>12,953,453</u>
Liabilities and net assets				
Liabilities:				
Current liabilities:				
Accounts payable	30,884	43,975	34,904	109,763
Accrued interest	-	1,233	-	1,233
Compensated absences payable	24,970	1,192	8,647	34,809
Deferred revenue	1,800	-	-	1,800
Bonds payable within one year	-	12,000	-	12,000
Due to other funds	<u>185,441</u>	<u>870,000</u>	<u>-</u>	<u>1,055,441</u>
Total current liabilities	<u>243,095</u>	<u>928,400</u>	<u>43,551</u>	<u>1,215,046</u>
Non-current liabilities:				
Liability for closure and post closure costs	-	-	20,667	20,667
Bonds payable after one year	<u>-</u>	<u>62,000</u>	<u>-</u>	<u>62,000</u>
Total non-current liabilities:	<u>-</u>	<u>62,000</u>	<u>20,667</u>	<u>82,667</u>
Total liabilities	<u>243,095</u>	<u>990,400</u>	<u>64,218</u>	<u>1,297,713</u>
Net assets:				
Invested in capital assets, net of related debt	535,356	9,082,338	498,957	10,116,651
Restricted for:				
Community development	-	747,988	-	747,988
Unrestricted	<u>(240,095)</u>	<u>370,129</u>	<u>661,067</u>	<u>791,101</u>
Total net assets	<u>\$ 295,261</u>	<u>\$ 10,200,455</u>	<u>\$ 1,160,024</u>	<u>\$ 11,655,740</u>

CEDAR CITY, UTAH
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Proprietary Funds
For the Year Ended June 30, 2011

	<u>Golf Course</u>	<u>Storm Drain Utility Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 587,630	\$ 265,058	\$ 597,892	\$ 1,450,580
Miscellaneous	712	-	-	712
Total operating revenues	<u>588,342</u>	<u>265,058</u>	<u>597,892</u>	<u>1,451,292</u>
Operating expenses:				
Salaries	286,565	37,083	104,592	428,240
Employees benefits	113,964	15,599	55,503	185,066
Administration	37,466	104,980	99,067	241,513
Utilities	38,824	371	169	39,364
Professional services	368	6,524	231	7,123
Repairs and maintenance	75,123	11,332	25,402	111,857
Insurance	4,936	729	7,462	13,127
Miscellaneous	38,436	20,375	16,106	74,917
Supplies	81,320	6,475	76,654	164,449
Closure and post closure expenses	-	-	3,585	3,585
Depreciation	38,762	100,076	64,219	203,057
Total operating expenses	<u>715,764</u>	<u>303,544</u>	<u>452,990</u>	<u>1,472,298</u>
Operating income (loss)	(127,422)	(38,486)	144,902	(21,006)
Nonoperating revenues (expenses):				
Interest earnings	-	7,369	2,911	10,280
Impact fees	-	29,960	-	29,960
Gain (loss) on assets sold	455	-	(35,020)	(34,565)
Interest and fiscal charges	(114)	(1,942)	-	(2,056)
Total nonoperating revenues (expenses)	<u>341</u>	<u>35,387</u>	<u>(32,109)</u>	<u>3,619</u>
Income before contributions and transfers	<u>(127,081)</u>	<u>(3,099)</u>	<u>112,793</u>	<u>(17,387)</u>
Capital contributions	-	5,199,429	-	5,199,429
Transfers in	-	5,928	-	5,928
Change in net assets	<u>(127,081)</u>	<u>5,202,258</u>	<u>112,793</u>	<u>5,187,970</u>
Total net assets, beginning of year	<u>422,342</u>	<u>4,998,197</u>	<u>1,047,231</u>	<u>6,467,770</u>
Total net assets, end of year	<u>\$ 295,261</u>	<u>\$ 10,200,455</u>	<u>\$ 1,160,024</u>	<u>\$ 11,655,740</u>

CEDAR CITY, UTAH
Combining Statement of Cash Flows
Other Proprietary Funds
For the Year Ended June 30, 2011

	<u>Golf Course</u>	<u>Storm Drain Utility Fund</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 586,342	\$ 426,300	\$ 599,129	\$ 1,611,771
Cash payments to suppliers for goods and services	(266,555)	(107,113)	(246,588)	(620,256)
Cash payments to employees for services	(398,597)	(52,743)	(159,480)	(610,820)
Net cash flows from operating activities	<u>(78,810)</u>	<u>266,444</u>	<u>193,061</u>	<u>380,695</u>
Cash flows from noncapital financing activities:				
Loans due to other funds	127,004	870,000	-	997,004
Transfers from other funds	-	5,928	-	5,928
Net cash flows from noncapital financing activities	<u>127,004</u>	<u>875,928</u>	<u>-</u>	<u>1,002,932</u>
Cash flows from capital and related financing activities:				
Cash received from impact fees	-	29,960	-	29,960
Acquisition of capital assets	-	(68,696)	(219,621)	(288,317)
Proceeds from the sale of capital assets	454	-	51,000	51,454
Interest paid on capital debt	(2,073)	(2,126)	-	(4,199)
Principal paid on capital debt	(46,575)	(11,000)	-	(57,575)
Net cash flows from capital and related activities	<u>(48,194)</u>	<u>(51,862)</u>	<u>(168,621)</u>	<u>(268,677)</u>
Cash flows from investing activities:				
Interest received	-	7,369	2,911	10,280
Payments on notes receivable	-	10,898	-	10,898
Net cash flows from investing activities	<u>-</u>	<u>18,267</u>	<u>2,911</u>	<u>21,178</u>
Net change in cash and cash equivalents	<u>-</u>	<u>1,108,777</u>	<u>27,351</u>	<u>1,136,128</u>
Cash and cash equivalents - beginning (including restricted cash)				
	<u>-</u>	<u>888,174</u>	<u>602,383</u>	<u>1,490,557</u>
Cash and cash equivalents - ending (including restricted cash)				
	<u>\$ -</u>	<u>\$ 1,996,951</u>	<u>\$ 629,734</u>	<u>\$ 2,626,685</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (127,422)	\$ (38,486)	\$ 144,902	\$ (21,006)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	38,762	100,076	64,219	203,057
(Increase) decrease in accounts receivable	(2,000)	161,242	1,237	160,479
(Increase) decrease in inventory	-	-	4,910	4,910
Increase (decrease) in accounts payable	9,918	43,673	(26,407)	27,184
Increase (decrease) in compensated absences	1,932	(61)	615	2,486
Increase (decrease) in closure post closure liability	-	-	3,585	3,585
Total adjustments	<u>48,612</u>	<u>304,930</u>	<u>48,159</u>	<u>401,701</u>
Net cash flows from operating activities	<u>\$ (78,810)</u>	<u>\$ 266,444</u>	<u>\$ 193,061</u>	<u>\$ 380,695</u>

FEDERAL AND STATE 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***

To the Honorable Mayor and
 Members of the City Council
 Cedar City, Utah
 Cedar City, Utah 84720

We have audited the financial statements Cedar City, Utah, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. 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 Cedar City, Utah is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cedar 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 Cedar City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cedar 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar 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*.

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

A handwritten signature in cursive script that reads "Hinton Burdick Hall & Spilker PLLC".

HINTON, BURDICK, HALL & SPILKER, PLLC

December 20, 2011



Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
 Members of the City Council
 Cedar City, Utah
 Cedar City, Utah 84720

Compliance

We have audited Cedar City, Utah’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cedar City, Utah’s major federal programs for the year ended June 30, 2011. Cedar City, Utah’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cedar City, Utah’s management. Our responsibility is to express an opinion on Cedar City, Utah’s compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar City, Utah’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. Our audit does not provide a legal determination of Cedar City, Utah’s compliance with those requirements.

In our opinion, Cedar City, Utah complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Cedar City, Utah is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cedar City, Utah’s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar City, Utah'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 with a type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the management, the Mayor, City Council, others within the City, the Utah State Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



HINTON, BURDICK, HALL & SPILKER, PLLC
December 20, 2011

CEDAR CITY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unqualified
Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.509	Nonurbanized Area Formula Program
97.115	Assistance to Firefighters Grant - ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes No

CEDAR CITY, UTAH
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2011

Section II – Financial Statement Findings

No significant matters were noted.

Section III – Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary Schedule of Prior Audit Findings

No significant matters were noted.

CEDAR CITY, UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Grantor Agency	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through Utah Division of Housing and Community Development:			
Community Development Block Grant	14.228		243,781
U.S. Department of Justice			
Bureau of Justice Assistance			
Edward Byrne Memorial Justice Assistance	16.738		13,355
Office of Juvenile Justice & Delinquency Prevention			
Enforcing Underage Drinking Laws Program	16.727		4,153
Total U.S. Department of Justice			17,508
U.S. Department of Transportation			
Federal Transit Administration			
Passed through Utah Department of Transportation:			
Nonurbanized Area Formula Program	20.509		334,162
Federal Aviation Administration			
Passed through Utah Department of Transportation:			
Airport Improvement Program	20.106		367,061
Airport Improvement Program - ARRA	20.106		69,710
National Highway Transportation Safety Administration:			
State and Community Highway Safety	20.600		27,265
Federal Highway Administration:			
Highway Planning and Construction - ARRA	20.205		24,000
Total U.S. Department of Transportation			822,199
U.S. Department of the Interior			
Bureau of Land Management			
Passed through Utah Department of Natural Resources:			
Wildland Urban Interface Community & Rural Fire Assistance	15.228		12,435
National Endowment for the Humanities			
Institute of Museum and Library Services			
Passed through the Utah Office of Library Services:			
Grants to States	45.310		2,300
U.S. Department of Health and Human Services			
Substance Abuse & Mental Health Services Administration:			
Drug Free Community Grant	93.276		93,627
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044		126,483
Assistance to Firefighters Grant - ARRA	97.115		970,225
Total U.S. Department of Homeland Security			1,096,709
Total expenditure of federal awards			<u>\$ 2,288,559</u>

Note: This schedule has been prepared on the modified accrual basis of accounting.

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

To the Honorable Mayor and
 Members of the City Council
 Cedar City, Utah
 Cedar City, UT 84720

We have audited Cedar City, Utah's, compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

- | | |
|------------------------------|---------------------------------|
| Public Debt | B & C Road Funds |
| Cash Management | Other General Issues |
| Purchasing Requirements | Uniform Building Code Standards |
| Budgetary Compliance | Impact Fees |
| Truth in Taxation & Property | Asset Forfeiture |
| Tax Limitations | URS Compliance |
| Liquor Law Enforcement | Fund Balance |

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

- C Road 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 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, Cedar City, Utah 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, 2011.

This report is intended solely for the information and use of the Mayor, City Council, management, Office of the Utah State Auditor and awarding and pass-through entities and is not intended to be 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.



HINTON, BURDICK, HALL & SPILKER, PLLC
December 20, 2011



MEMBERS:

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

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

**Findings and Recommendations
For the Year Ended June 30, 2011**

Honorable Mayor and City Council
Cedar 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. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies.

This report is intended solely for the information and use of the mayor, city council, management, and various federal and state agencies 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.

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 in this year's audit. We invite you to ask questions of us throughout the year and we look forward to a continued professional relationship.

Sincerely,

HINTON, BURDICK, HALL & SPILKER, PLLC
December 20, 2011