

Town of Apple Valley  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended June 30, 2017

Town of Apple Valley  
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June 30, 2017

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## Independent Auditors' Report

Honorable Mayor and  
Members of the Town Council  
Town of Apple Valley, Utah

### Report on the Financial Statements

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 the Town of Apple Valley, Utah, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, Utah, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Apple Valley, Utah's basic financial statements. Other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the Town of Apple Valley, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Apple Valley, Utah's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

As management of Town of Apple Valley (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2017

## **FINANCIAL HIGHLIGHTS**

- \*Total net position for the Town as a whole decreased by \$24,531
- \*Total unrestricted net position for the Town as a whole increased by \$3,172
- \*Total net position for governmental activities decreased by \$14,759
- \*Total net position for business-type activities decreased by \$9,772

## **BASIC FINANCIAL STATEMENTS**

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

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

The statement of net position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* . These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The Town maintains one major governmental fund, the general fund.

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

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

*Proprietary funds* . The Town's proprietary funds are all of the enterprise type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise fund to account for the operations of the water and sewer utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the Town.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.



Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

**FINANCIAL ANALYSIS**

**Town of Apple Valley's Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year (restated)
	Current Year	Previous Year (restated)	Current Year	Previous Year (restated)		
Current and other assets	\$ 265,585	1,945,144	38,455	226,899	304,040	2,172,043
Non-current assets	2,981,510	1,322,123	5,470,445	5,431,853	8,451,955	6,753,976
Deferred outflows of resources	44,767	27,252	-	-	44,767	27,252
<b>Total assets and deferred outflows</b>	<b>\$ 3,291,862</b>	<b>3,294,519</b>	<b>5,508,900</b>	<b>5,658,751</b>	<b>8,800,762</b>	<b>8,953,270</b>
Other liabilities	\$ 89,468	132,801	51,384	109,749	140,852	242,550
Long-term liabilities outstanding	1,412,745	1,369,919	4,938,424	5,020,137	6,351,168	6,390,056
Deferred inflows of resources	70,709	58,100	-	-	70,709	58,100
<b>Total liabilities and deferred inflows</b>	<b>1,572,922</b>	<b>1,560,820</b>	<b>4,989,808</b>	<b>5,129,887</b>	<b>6,562,730</b>	<b>6,690,707</b>
Net position:						
Net investment in						
capital assets	1,530,471	853,773	441,898	411,715	1,972,369	1,265,488
Restricted	78,737	820,182	131,124	124,263	209,861	944,445
Unrestricted	109,732	59,744	(53,929)	(7,114)	55,803	52,630
<b>Total net position</b>	<b>\$ 1,718,940</b>	<b>1,733,699</b>	<b>519,092</b>	<b>528,864</b>	<b>2,238,032</b>	<b>2,262,563</b>

As noted earlier, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflow of resources at the close of the year by \$2,238,032, a decrease of \$24,532 from the previous year. This change is equivalent to the net loss for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$55,803, which represents an increase of \$3,172 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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

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

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

**FINANCIAL ANALYSIS (continued)**

**Town of Apple Valley's Change in Net Position**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year (restated)
	Current Year	Previous Year (restated)	Current Year	Previous Year (restated)		
<b>Program revenues:</b>						
Charges for services	\$ 278,724	154,624	282,110	208,048	560,834	362,672
Operating grants and contributions	111,665	55,851	42,000	-	153,665	55,851
Capital grants and contributions	19,492	853,954	22,600	36,000	42,092	889,954
<b>General revenues:</b>						
Property taxes	84,573	91,991	-	-	84,573	91,991
Sales tax	86,426	79,435	-	-	86,426	79,435
Other taxes	22,302	20,908	-	-	22,302	20,908
Unrestricted investment earnings	7,780	25,122	514	558	8,294	25,680
Other revenues	12,312	3,189	-	-	12,312	3,189
<b>Total revenues</b>	<b>623,275</b>	<b>1,285,074</b>	<b>347,224</b>	<b>244,607</b>	<b>970,499</b>	<b>1,529,681</b>
<b>Expenses:</b>						
General government	252,358	211,878	-	-	252,358	211,878
Public safety	126,243	107,113	-	-	126,243	107,113
Public works/Streets	175,231	104,036	-	-	175,231	104,036
Sanitation	36,933	32,110	-	-	36,933	32,110
Culture and recreation	20,036	10,763	-	-	20,036	10,763
Interest on long-term debt	27,232	3,183	93,649	92,791	120,881	95,974
Big Plains Water & Sewer SSD	-	-	263,347	332,288	263,347	332,288
<b>Total expenses</b>	<b>638,033</b>	<b>469,083</b>	<b>356,996</b>	<b>425,079</b>	<b>995,029</b>	<b>894,162</b>
<b>Change in net position</b>	<b>\$ (14,759)</b>	<b>815,991</b>	<b>(9,772)</b>	<b>(180,472)</b>	<b>(24,531)</b>	<b>635,519</b>

For the Town as a whole, total revenues decreased by \$559,182 compared to the previous year, while total expenses increased by \$100,867. The total net change of \$24,531 is, in private sector terms, the net loss for the year which is \$660,049 less than the previous year's net change.

Governmental activities revenues of \$623,275 is a decrease of \$661,799 from the previous year. This is primarily due to a decrease in capital grants during the year. Governmental activities expenses of \$638,033 is an increase of \$168,950 from the previous year. All departments saw an increase during the year, with the greatest increase occurring in the Public works/Streets department of \$93.3; 7.

Business-type activities revenue of \$347,224 is an increase of \$102,617 from the previous year. Service revenues increased by \$74,062 and capital grants decreased by \$13,400. Operating grants increased by \$42,000. Business-type activities expenses of \$356,996 is a decrease of \$68,083 from the previous year. This is due to an overall increase in operation expenses.

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$170,701 reflects an increase of \$104,430 from the previous year. Total revenues decreased by \$517,665. Tax revenues increased by \$967. Intergovernmental revenues decreased by \$636,346. Charges for services increased by 85,391. License and permits revenue increased by \$41,711. All other revenues had a net decrease of \$9,388.

Total expenditures, excluding transfers, increased by \$108,428. Current expenditure changes by department were as follows: general government increased by \$32,301; public safety increased by \$32,706; public works/streets increased by \$29,325; sanitation decreased by \$16,843; and culture and recreation decreased by \$3,475.

Restricted fund balance amounted to \$32,176. Assigned fund balance amounted to \$2,964. Unassigned fund balance is \$135,561.

*Capital Project Fund*

The fund balance of \$46,561 reflects a decrease of \$1,662,817. Total revenues, excluding transfers, decreased by \$144,134. While total expenditures increased by \$1,231,061.

*Water Fund*

Net operating income was \$28,764 compared to the previous year net operating loss of \$130,858. The change in net position (net loss) was \$9,772 compared to the previous year's net loss of \$180,472. Restricted net positions amounts to \$131,124, resulting in an unrestricted net position of \$53,929.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$465,820. This amount was amended during the year to \$597,210. Actual revenues amounted to \$616,701, which was \$19,491 more than budgeted.

Expenditures for the current year, excluding transfers and budgeted increases in fund balance, were originally budgeted in the amount of \$465,820. This amount was amended during the year to \$582,671. Actual expenditures amounted to \$512,272, which was \$70,399 less than budgeted.

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Town of Apple Valley's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Net Capital Assets:</b>						
Land and water rights	\$ 439,556	439,556	1,017,990	1,017,990	1,457,546	1,457,546
Buildings	170,497	170,497	-	-	170,497	170,497
Improvements other than buildings	2,255,369	155,966	-	-	2,255,369	155,966
Machinery and equipment	521,659	500,627	36,352	36,352	558,011	536,979
Water systems	-	-	4,585,547	4,585,547	4,585,547	4,585,547
Construction in progress	-	415,602	33,733	9,508	33,733	425,110
<b>Total</b>	<b>3,387,081</b>	<b>1,682,248</b>	<b>5,673,621</b>	<b>5,649,396</b>	<b>9,060,702</b>	<b>7,331,644</b>
Less accumulated depreciator	(499,210)	(360,124)	(334,300)	(217,544)	(833,510)	(577,668)
<b>Net Capital Assets:</b>	<b>\$ 2,887,871</b>	<b>1,322,123</b>	<b>5,339,321</b>	<b>5,431,852</b>	<b>8,227,193</b>	<b>6,753,976</b>

The total amount of capital assets, net of depreciation, of \$8,227,193 is an increase of \$1,473,217 from the previous year.

Governmental activities capital assets, net of depreciation, of \$2,887,871 is an increase of \$1,565,748 from the previous year.

Business-type activities capital assets, net of depreciation, of \$5,339,321 is a decrease of \$92,531 from the previous year.

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

Town of Apple Valley  
**Management's Discussion and Analysis**  
 June 30, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**Town of Apple Valley's Outstanding Debt - Revenue Bonds**

	Current Year	Previous Year
<b>Governmental activities:</b>		
2015 Vehicles Purchase	\$ 39,400	51,919
2015 Gateway Bond	1,318,000	1,318,000
<b>Total business-type</b>	<b>\$ 1,357,400</b>	<b>1,369,919</b>
 <b>Business-type activities:</b>		
2004 F-250 Truck Lease	\$ 4,793	9,405
2016 Aquifer Study	41,000	-
2012 Water Project	2,285,000	2,370,000
2015 Water Bond 02	294,159	297,546
2015 Water Bond 01	2,313,472	2,343,186
<b>Total business-type</b>	<b>\$ 4,938,424</b>	<b>5,020,137</b>
<b>Total outstanding debt</b>	<b>\$ 6,295,824</b>	<b>6,390,057</b>

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Apple Valley's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Town Clerk/Recorder of Apple Valley at 1777 N. Meadow Lark Drive, Apple Valley, UT 84737.

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## **BASIC FINANCIAL STATEMENTS**

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Town of Apple Valley  
**STATEMENT OF NET POSITION**  
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 48,239	-	48,239
Accounts receivable, net	42,377	128,496	170,872
Due from other governments	84,929	-	84,929
Internal balances	90,041	(90,041)	-
Total current assets	<u>265,585</u>	<u>38,455</u>	<u>304,040</u>
Non-current assets:			
Restricted cash and cash equivalents	93,638	131,124	224,762
Capital assets:			
Not being depreciated	439,556	1,051,723	1,491,279
Net of accumulated depreciation	2,448,315	4,287,599	6,735,914
Total non-current assets	<u>2,981,510</u>	<u>5,470,445</u>	<u>8,451,955</u>
Total assets	<u>3,247,095</u>	<u>5,508,900</u>	<u>8,755,995</u>
Deferred outflows of resources - pensions	44,767	-	44,767
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 3,291,862</u></b>	<b><u>5,508,900</u></b>	<b><u>8,800,762</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 36,078	47,520	83,598
Accrued liabilities	13,778	-	13,778
Customer deposits	14,900	-	14,900
Accrued interest payable	24,713	3,864	28,577
Capital lease, current portion	13,219	4,793	18,012
Revenue bonds, current portion	30,000	127,297	157,297
Total current liabilities	<u>132,687</u>	<u>183,474</u>	<u>316,161</u>
Non-current liabilities:			
Legal fees	12,532	-	12,532
Capital lease, long-term	26,182	-	26,182
Revenue bonds, long-term	1,288,000	4,806,334	6,094,334
Net pension liability	42,812	-	42,812
Total non-current liabilities	<u>1,369,526</u>	<u>4,806,334</u>	<u>6,175,860</u>
Total liabilities	<u>1,502,213</u>	<u>4,989,808</u>	<u>6,492,021</u>
Deferred inflows of resources - property taxes	64,673	-	64,673
Deferred inflows of resources - pensions	6,036	-	6,036
<b>Total liabilities and deferred inflows of resources</b>	<b><u>1,572,922</u></b>	<b><u>4,989,808</u></b>	<b><u>6,562,730</u></b>
<b>NET POSITION:</b>			
Net investment in capital assets	1,530,471	441,898	1,972,369
Restricted	78,737	131,124	209,861
Unrestricted	109,732	(53,929)	55,803
<b>Total net position</b>	<b><u>1,718,940</u></b>	<b><u>519,092</u></b>	<b><u>2,238,032</u></b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 3,291,862</u></b>	<b><u>5,508,900</u></b>	<b><u>8,800,762</u></b>

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

Town of Apple Valley  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

<u><b>FUNCTIONS/PROGRAMS:</b></u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 252,358	210,436	-	-	(41,921)
Public safety	126,243	1,570	18,189	1,298	(105,187)
Public works/Streets	175,231	28,470	93,477	15,092	(38,193)
Sanitation	36,933	38,228	-	-	1,295
Culture and recreation	20,036	20	-	3,102	(16,914)
Interest expense	27,232	-	-	-	(27,232)
<b>Total governmental activities</b>	<b>638,033</b>	<b>278,724</b>	<b>111,665</b>	<b>19,492</b>	<b>(228,152)</b>
Business-type activities:					
Water	356,996	282,110	42,000	22,600	(10,286)
<b>Total business-type activities</b>	<b>356,996</b>	<b>282,110</b>	<b>42,000</b>	<b>22,600</b>	<b>(10,286)</b>
<b>Total primary government</b>	<b>\$ 995,029</b>	<b>560,834</b>	<b>153,665</b>	<b>42,092</b>	<b>(238,438)</b>

(The statement of activities continues  
on the following page)

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

Town of Apple Valley  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b>\$ (228,152)</b>	<b>(10,286)</b>	<b>(238,438)</b>
<b>General revenues:</b>			
Property taxes	84,573	-	84,573
Sales tax	86,426	-	86,426
Other taxes	22,302	-	22,302
Unrestricted investment earnings	7,780	514	8,294
Miscellaneous	12,312	-	12,312
<b>Total general revenues</b>	<b>213,393</b>	<b>514</b>	<b>213,907</b>
<b>Change in net position</b>	<b>(14,759)</b>	<b>(9,772)</b>	<b>(24,531)</b>
Net position - beginning, restated	1,733,699	528,864	2,262,563
<b>Net position - ending</b>	<b>\$ 1,718,940</b>	<b>519,092</b>	<b>2,238,032</b>

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

Town of Apple Valley  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 48,239	-	48,239
Receivables:			
Accounts receivable, net	42,377	-	42,377
Property taxes	66,056	-	66,056
Due from other governments	18,873	-	18,873
Due from other funds	90,041	-	90,041
Restricted cash and cash equivalents	47,077	46,561	93,638
<b>TOTAL ASSETS</b>	<b>\$ 312,662</b>	<b>46,561</b>	<b>359,224</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Liabilities:			
Accounts payable	\$ 36,078	-	36,078
Accrued liabilities	13,778	-	13,778
Deposits payable	14,900	-	14,900
Total liabilities	64,756	-	64,756
Deferred inflows of resources:			
Property taxes	64,673	-	64,673
Assessments	12,532	-	12,532
Total deferred inflows of resources	77,205	-	77,205
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>141,961</b>	<b>-</b>	<b>141,961</b>
<b>FUND BALANCES:</b>			
Restricted	32,176	46,561	78,737
Assigned	2,964	-	2,964
Unassigned	135,561	-	135,561
<b>TOTAL FUND BALANCES</b>	<b>170,701</b>	<b>46,561</b>	<b>217,263</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 312,662</b>	<b>46,561</b>	<b>359,224</b>

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

Town of Apple Valley  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Taxes:			
Property	\$ 84,573	-	84,573
Sales	86,426	-	86,426
Other taxes	22,302	-	22,302
License and permits	74,865	-	74,865
Intergovernmental revenues	111,665	-	111,665
Charges for services	200,648	-	200,648
Fines and forfeitures	3,212	-	3,212
Impact fees	19,492	-	19,492
Interest	1,207	6,573	7,780
Miscellaneous revenue	12,312	-	12,312
<b>Total revenues</b>	<b>616,701</b>	<b>6,573</b>	<b>623,275</b>
<b>Expenditures:</b>			
General government	224,450	-	224,450
Public safety	91,994	-	91,994
Public works/Streets	128,589	1,669,390	1,797,979
Sanitation	36,933	-	36,933
Culture and recreation	15,267	-	15,267
Debt service:			
Principal	12,519	-	12,519
Interest	2,520	-	2,520
<b>Total expenditures</b>	<b>512,272</b>	<b>1,669,390</b>	<b>2,181,662</b>
<b>Net change in fund balances</b>	<b>104,430</b>	<b>(1,662,817)</b>	<b>(1,558,387)</b>
Fund balances - beginning of year, restated	66,272	1,709,378	1,775,650
<b>Fund balance - end of year</b>	<b>\$ 170,701</b>	<b>46,561</b>	<b>217,263</b>

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

Town of Apple Valley  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2017

<b>Total Fund Balance for Governmental Funds</b>	<b><u>\$ 217,263</u></b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds:	
Capital assets, at cost	3,387,081
Less accumulated depreciation	<u>(499,210)</u>
Net capital assets	<u>2,887,871</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the fund statements.	
	<u>44,767</u>
Long-term liabilities, for funds other than enterprise funds are recorded in the government-wide statements but not in the fund statements.	
Legal fees	(12,532)
Accrued interest	(24,713)
Vehicle purchase	(39,400)
Gateway loan	(1,318,000)
Net pension liability	<u>(42,812)</u>
Total long-term liabilities	<u>(1,437,457)</u>
Deferred inflows of resources related to pensions, for funds other than enterprise funds, are recorded in the government-wide statements, but not in the fund statements.	
	<u>(6,036)</u>
Certain revenue is considered deferred in governmental funds, but not in the statement of net position because it qualifies for recognition under the economic resources measurement focus.	
Deferred inflows of resources - special assessments	<u>12,532</u>
<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 1,718,940</u></u></b>

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

Town of Apple Valley  
**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, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b><u>\$ (1,558,387)</u></b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.</p>	
Capital outlays	1,704,833
Depreciation expense	<u>(139,085)</u>
Net	<u>1,565,748</u>
<p>The Statement of Activities show pension benefits, pension expenses, and non-employer contributions related to GASB 68 that are not shown in the fund statements.</p>	
	<u>(9,926)</u>
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	<u>12,519</u>
<p>Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities.</p>	
	<u>(24,713)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (14,759)</u></u></b>

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

Town of Apple Valley  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
June 30, 2017

	Utility Fund
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable, net	128,496
Total current assets	128,496
Non-current assets:	
Restricted cash and cash equivalents	131,124
Capital assets:	
Not being depreciated	1,051,723
Net of accumulated depreciation	4,287,599
Total non-current assets	5,470,445
<b>Total assets</b>	<b>\$ 5,598,941</b>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 47,520
Accrued interest payable	3,864
Due to other funds	90,041
Capital lease, current portion	4,793
Revenue bonds, current portion	127,297
Total current liabilities	273,515
Non-current liabilities:	
Revenue bonds, long-term	4,806,334
Total non-current liabilities	4,806,334
<b>Total liabilities</b>	<b>5,079,849</b>
<b>NET POSITION:</b>	
Net investment in capital assets	441,898
Restricted	131,124
Unrestricted	(53,929)
<b>Total net position</b>	<b>519,092</b>
<b>Total liabilities and net position</b>	<b>\$ 5,598,941</b>

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



Town of Apple Valley  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN NET POSITION - PROPRIETARY FUND**

For the year ended June 30, 2017

	Utility Fund
<b>Operating income:</b>	
Charges for sales and service	\$ 270,410
Connection fees	11,700
<b>Total operating income</b>	<b><u>282,110</u></b>
<b>Operating expenses:</b>	
Personnel services	73,200
Utilities	12,953
Repair and maintenance	28,090
Professional services	10,235
Other supplies and expenses	8,400
Insurance expense	3,711
Depreciation expense	116,756
<b>Total operating expense</b>	<b><u>253,346</u></b>
<b>Net operating income (loss)</b>	<b><u>28,764</u></b>
<b>Non-operating income (expense):</b>	
Impact fees	22,600
Grants	42,000
Interest income	514
Legal fee expenses	(10,001)
Interest on long-term debt	(93,649)
<b>Total non-operating income (expense)</b>	<b><u>(38,536)</u></b>
<b>Change in net position</b>	<b>(9,772)</b>
Net position - beginning, restated	<u>528,864</u>
<b>Net position - ending</b>	<b><u>\$ 519,092</u></b>

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

Town of Apple Valley  
**STATEMENT OF CASH FLOWS**  
For the year ended June 30, 2017

	Utility Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers - service	\$ 221,060
Cash paid to suppliers	(115,736)
Cash paid to employees	(73,200)
<b>Net cash provided (used) in operating activities</b>	<b><u>32,124</u></b>
<b>Cash flows from noncapital financing activities:</b>	
Interfund activity	84,071
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>84,071</u></b>
<b>Cash flows from capital and related financing activities:</b>	
Cash received from impact fees	22,600
Cash received from grants	42,000
Cash received from bonds issued	41,000
Cash payments for capital assets	(24,225)
Cash payments for legal fees	(10,001)
Cash payments for long-term debt principal	(122,714)
Cash payments for long-term debt interest	(93,698)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>(145,038)</u></b>
<b>Cash flows from investing activities:</b>	
Cash received from interest earned	514
<b>Net cash provided (used) in investing activities</b>	<b><u>514</u></b>
<b>Net increase (decrease) in cash</b>	<b>(28,329)</b>
Cash balance, beginning	<u>159,453</u>
<b>Cash balance, ending</b>	<b><u>\$ 131,124</u></b>
<b>Cash reported on the statement of net position:</b>	
Cash and cash equivalents	\$ -
Non-current restricted cash	131,124
<b>Total cash and cash equivalents</b>	<b><u>\$ 131,124</u></b>

(The Statement of Cash Flows continues on the following page)

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

Town of Apple Valley  
**STATEMENT OF CASH FLOWS (continued)**  
For the year ended June 30, 2017

<b>Reconciliation of Operating Income to Net Cash Provided (Used) in Operating Activities:</b>	<u>Utility Fund</u>
<b>Net operating income (expense)</b>	<b>\$ 28,764</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	116,756
Changes in assets and liabilities:	
(Increase) decrease in receivables	(61,050)
Increase (decrease) in payables	<u>(52,346)</u>
<b>Net cash provided (used) in operating activities</b>	<b><u>\$ 32,124</u></b>

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

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Town of Apple Valley (the Town), a municipal corporation located in Washington County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

**Blended Component Unit**

Big Plains Water & Sewer Special Service District was created by the adoption of a resolution establishing a service district and has been established as a separate body politic and corporate. The District was created for the purpose of building, maintaining and improving the water and sewer systems within the District's boundaries. The District's governing body is substantively the same as the governing body of the primary government and is so intertwined with the Town that it is, in substance, the same as the Town and is reported as part of the Town.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net position and the statement of activities report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports the financial position of the governmental and business-type activities of the Town and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements*

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

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

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

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

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

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

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

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

*Policy regarding use of restricted resources*

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

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**1-D. Fund types and major funds**

*Governmental funds*

**The Town reports the following major governmental funds:**

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

*Proprietary funds*

**The Town reports the following major proprietary funds:**

The *Big Plains Water & Sewer Special Service District Fund* is used to account for the activities of the culinary water production, treatment and distribution, as well as the activities of the sewer collection and treatment systems.

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1-E-1. Deposit and Investments**

Cash includes cash on hand, demand deposits with bank 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 Town's policy allows for investment in fund 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.

**1-E-2. Cash and Cash Equivalents**

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

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of allowance for uncollectable accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectable accounts receivable necessary or material. Therefore, no allowance for uncollectable accounts receivable is presented.

During the course of operations, there may be transactions that occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either due to or due from other funds.

Property taxes are assessed and collected for the Town by Washington County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
 (continued)**

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts.

Property, plant, and equipment of the primary government, as well as the component unit, if any, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	15-40
Building improvements	15-40
Distribution and collection system	40
Equipment	5-20

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(continued)**

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

**1-E-8. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Town has three types of deferred inflows which consist of revenue due from assessments, revenue due from property taxes, and deferred inflows related to pensions.

**1-E-9. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**1-E-10. Net position flow assumption**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.



Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(continued)**

**1-E-11. Fund balance flow assumptions**

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reports as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**1-E-12. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Town Council has by resolution authorized the Town Council to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

**1-F. Tax abatements**

The Town has not entered into any tax abatement agreements and the Town is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the Town's tax revenues.

**1-G. Estimates**

GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**1-H. Prior period adjustment**

The prior year fund balance has been decreased and accounts payable increased in the General fund by \$3,058. Engineering costs for ongoing projects should have been recognized in the prior year.

The prior year net position has been decreased and accounts payable increased in the Big Plains Water & Sewer Special Service District fund by \$88,647. Engineering costs for ongoing projects should have been recognized in the prior year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

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

Utah State law prohibits the Town from creating a deficit fund balance by making expenditures in excess of amounts budgeted. Any deficit so created must be made up in the following fiscal year. Deficits arising from emergencies, however, may be retired over five years. The maximum amount held in the general fund may not exceed 75% of the total estimated revenue of the fund for succeeding year.

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

**2-B. Deficit fund balance and net position**

None of the Town's funds have deficit balances.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2017 consist of the following:

	Fair Value
Cash on hand	\$ 100
Demand deposits	81,924
Investments - PTIF	190,977
<b>Total cash</b>	<b>\$ 273,001</b>

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

Cash and cash equivalents (current)	\$ 48,239
Restricted cash and cash equivalents (non-current)	224,762
<b>Total cash and cash equivalents</b>	<b>\$ 273,001</b>

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

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Weighted Average Maturity for the PTIF is 54.71 as of June 30, 2017. The Town maintains monies not immediately needed for expenditure in PTIF accounts. A copy of the financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**3-A. Deposits and investments (continued)**

**Fair value of investments**

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2017, the Town had \$190,977 invested in the PTIF, which uses a Level 2 fair value measurement.

**Deposit and investment risk**

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

**Interest rate risk**

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

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. At June 30, 2017, all of the Town's demand deposits are covered by FDIC insurance.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

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

**3-B. Receivables**

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

	General Fund	Big Plains Water & Sewer SSD Fund	Total
Assessment receivable	\$ 12,532	-	12,532
Sanitation	29,844	-	29,844
Water	-	128,496	128,496
<b>Total receivables</b>	<b>\$ 42,377</b>	<b>128,496</b>	<b>170,872</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**3-C. Capital assets**

Capital asset activity for governmental activities was as follows:

<b>Governmental activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and rights	\$ 439,556	-	-	439,556
Construction in progress	415,602	1,683,801	2,099,403	-
<b>Total capital assets, not being depreciated</b>	<b>855,158</b>	<b>1,683,801</b>	<b>2,099,403</b>	<b>439,556</b>
Capital assets, being depreciated:				
Buildings	170,497	-	-	170,497
Improvements other than buildings	155,966	2,099,403	-	2,255,369
Machinery and equipment	500,627	21,032	-	521,659
<b>Total capital assets, being depreciated</b>	<b>827,089</b>	<b>2,120,436</b>	<b>-</b>	<b>2,947,525</b>
Less accumulated depreciation for:				
Buildings	44,227	6,867	-	51,093
Improvements other than buildings	10,985	62,871	-	73,856
Machinery and equipment	304,913	69,348	-	374,261
<b>Total accumulated depreciation</b>	<b>360,124</b>	<b>139,085</b>	<b>-</b>	<b>499,210</b>
<b>Total capital assets being depreciated, net</b>	<b>466,965</b>	<b>1,981,350</b>	<b>-</b>	<b>2,448,315</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,322,123</b>	<b>3,665,151</b>	<b>2,099,403</b>	<b>2,887,871</b>

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

<b>Governmental activities:</b>	
General government	\$ 22,648
Public safety	50,184
Public works/Streets	61,485
Culture and recreation	4,769
<b>Total</b>	<b>\$ 139,085</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**3-C. Capital assets (continued)**

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

<b>Business-type activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land and water shares	\$ 1,017,990	-	-	1,017,990
Construction in progress	9,508	24,225	-	33,733
<b>Total capital assets, not being depreciated</b>	<b>1,027,498</b>	<b>24,225</b>	<b>-</b>	<b>1,051,723</b>
Capital assets, being depreciated:				
Distribution and collection systems	4,585,547	-	-	4,585,547
Equipment	36,352	-	-	36,352
<b>Total capital assets, being depreciated</b>	<b>4,621,899</b>	<b>-</b>	<b>-</b>	<b>4,621,899</b>
Less accumulated depreciation for:				
Distribution and collection systems	212,192	114,639	-	326,830
Equipment	5,352	2,118	-	7,470
<b>Total accumulated depreciation</b>	<b>217,544</b>	<b>116,756</b>	<b>-</b>	<b>334,300</b>
<b>Total capital assets being depreciated, net</b>	<b>4,404,355</b>	<b>(116,756)</b>	<b>-</b>	<b>4,287,599</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 5,431,852</b>	<b>(92,531)</b>	<b>-</b>	<b>5,339,321</b>

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

<b>Business-type activities:</b>	
Water	\$ 116,756
<b>Total</b>	<b>\$ 116,756</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**3-D. Long-term liabilities**

Long-term debt activity for governmental activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2015 Vehicles Purchase							
Matures 4/29/2020	\$ 65,988	5.45	\$ 51,919	-	12,519	39,400	13,219
2015 Gateway Bond							
Matures 10/1/2046	1,318,000	2.50	1,318,000	-	-	1,318,000	30,000
<b>Total governmental activity long-term liabilities</b>			<b>\$ 1,369,919</b>	<b>-</b>	<b>12,519</b>	<b>1,357,400</b>	<b>43,219</b>

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

For the year ending June 30,	Principal	Interest	Total
2018	\$ 43,219	34,770	77,989
2019	44,957	33,282	78,239
2020	44,224	31,733	75,957
2021	32,000	30,625	62,625
2022	33,000	29,825	62,825
2023-2027	180,000	136,250	316,250
2028-2032	200,000	117,650	317,650
2033-2037	229,000	91,925	320,925
2038-2042	258,000	56,300	314,300
2043-2047	293,000	22,350	
<b>Total</b>	<b>\$ 1,357,400</b>	<b>584,710</b>	<b>1,626,760</b>

**Other long-term liabilities:**

Net pension liability:	Increase		Ending
	Beginning	(Decrease)	
Governmental	\$ 19,125	23,687	42,812
<b>Total</b>	<b>\$ 19,125</b>	<b>23,687</b>	<b>42,812</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**3-D. Long-term liabilities (continued)**

Long-term debt activity for business-type activities was as follows:

	Original Principal	% Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2004 F-250 Truck Lease							
Matures 6/25/2018	\$ 18,000	4.00	\$ 9,405	-	4,612	4,793	4,793
2016 Aquafer Study							
Matures 10/1/2021	41,000	-	-	41,000	-	41,000	8,000
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,370,000	-	85,000	2,285,000	85,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	297,546	-	3,388	294,159	3,526
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,343,186	-	29,714	2,313,472	30,771
<b>Total business-type activity long-term liabilities</b>			<b>\$ 5,020,137</b>	<b>41,000</b>	<b>122,714</b>	<b>4,938,424</b>	<b>132,090</b>

Debt service requirements to maturity for business-type activities are as follows:

For the year ending June 30,	Principal	Interest	Total
2018	\$ 132,090	92,287	224,377
2019	128,535	90,945	219,480
2020	129,818	89,662	219,480
2021	132,147	88,333	220,480
2022	132,524	86,956	219,480
2023-2027	645,090	412,310	1,057,400
2028-2032	687,817	369,583	1,057,400
2033-2037	738,857	318,543	1,057,400
2038-2042	799,832	257,568	1,057,400
2043-2047	607,681	184,719	792,400
2048-2052	534,722	97,678	632,400
2053-2055	269,312	11,156	280,468
<b>Total</b>	<b>\$ 4,938,424</b>	<b>2,099,740</b>	<b>7,038,164</b>



Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**3-E. Capital lease**

The Town acquired three trucks through capital lease. Amortization of the trucks under capital lease are included in depreciation expense. The cost of the trucks at acquisition amounted to \$83,943. Depreciation accumulated since acquisition amounts to \$28,990, leaving a carrying value as of June 30, 2017 of \$54,953.

The 2004 F-250 truck lease requires monthly payments of \$410.96 with related interest at 4%. The 2014 Ford F-150 and 2015 Ford F-150 vehicle lease requires monthly payments of \$1,253.24 with related interest at 5.45%. The scheduled payments are as follows for the year ending June 30:

	Principal	Interest	Total
2018	\$ 18,012	1,922	19,934
2019	13,957	1,082	15,039
2020	12,224	308	12,532
	<b>\$ 44,193</b>	<b>3,311</b>	<b>47,505</b>

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

**3-F. Operating lease obligation**

The Town leases a copier. Total cost for the lease was \$2,864 for the year ended June 30, 2017. The future minimum lease payments for the lease are as follows:

Year Ending June 30,	
2018	\$ 1,432
	<b>\$ 1,432</b>

**3-G. Interfund receivables and payables**

	Due To	Due From
General Fund	\$ 90,041	-
Big Plains Water and Sewer SSD Fund	-	90,041
<b>Total</b>	<b>\$ 90,041</b>	<b>90,041</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**3-H. Restricted net position and assigned fund balances**

At June 30, 2017, the Town's restricted net position and fund balances are as follows:

<b>Governmental:</b>	
Restricted:	
Debt service	\$ 10,521
Impact fees	21,655
Construction	46,561
Assigned:	
Scholarship	2,964
Unassigned	135,561
<b>Total fund balance</b>	<b><u><u>\$ 217,263</u></u></b>
<b>Business-type:</b>	
Net investment in capital assets	\$ 441,898
Bond fund	42,500
Reserve fund	46,648
Capital facility replacement	41,976
Unrestricted	(53,929)
<b>Total net position</b>	<b><u><u>\$ 519,092</u></u></b>

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

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

**4-B. Special Assessments**

In 2008 a subdivision within the Town made a request for certain capital improvements. The Town levied a special assessment on the property owners within the subdivision to pay the related costs of preparation and bonding to fund the improvements. The assessment was \$735 (\$734.91) per lot and the lot owners were granted up to 20 years to pay the assessment.

Related legal costs were incurred by the Town and are being paid by the collection of outstanding assessments as they are received by the Town.

As of June 30, 2017, the Town is carrying a non-current payable balance of \$12,532 for outstanding legal fees and a related receivable of \$12,532 for unpaid assessments. For the year ended June 30, 2017, \$49,494 in assessments were received and a corresponding payment of \$49,494 was made on the related non-current liability.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**4-C. Pension Plans**

**General Information about the Pension Plan**

**Plan description:**

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

**Defined Benefit Plans**

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer cost sharing public employee retirement system;

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake Town, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**Benefits provided:**

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of service required		Benefit percentage per year of service	Cola **
		and/or age eligible for benefit			
Noncontributory System	Highest 3 Years	30 years any age		2.0% per year all years	Up to 4%
		25 years any age*			
		20 years age 60*			
		10 years age 62*			
		4 years age 65			
Tier 2 Public Employees System	Highest 5 Years	35 years any age		1.5% per year all years	Up to 2.5%
		20 years any age 60*			
		10 years age 62*			
		4 years age 65			

\* with actuarial reductions

\*\* All past-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**4-C. Pension Plans (continued)**

**Contributions:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2017 are as follows:

<u>Utah Retirement Systems</u>	<u>Employee Paid</u>	<u>Employer Contribution Rate</u>	<u>Employer Rate for 401(k) Plan</u>
Contributory System			
111 - Local Government Div - Tier 2	N/A	14.91	1.78
Noncontributory System			
15 - Local Government Div - Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For the fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 7,757	N/A
Tier 2 Public Employees System	7,986	-
<b>Total Contributions</b>	<b>\$ 15,743</b>	<b>-</b>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources relating to Pensions**

At June 30, 2017, we reported a net pension asset of \$0 and a net pension liability of \$42,812.

	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share 12/31/2015	Change (Decrease)
Noncontributory System	\$ -	\$ 42,094	0.0065554%	0.0033798%	0.0031756%
Tier 2 Public Employees System	-	718	0.0064359%	0.0040175%	0.0024184%
<b>Total</b>	<b>\$ -</b>	<b>\$ 42,812</b>			

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
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**4-C. Pension Plans (continued)**

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, we recognize pension expense of \$25,670.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 914	\$ 1,741
Changes in assumptions	6,150	1,435
Net difference between projected and actual earnings on pension plan investments	9,626	2,860
Changes in proportion and difference between contributions	20,187	-
Contributions subsequent to the measurement date	7,890	-
<b>Total</b>	<b>\$ 44,767</b>	<b>\$ 6,036</b>

\$7,890 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2017	\$ 9,990
2018	10,027
2019	9,493
2020	1,053
2021	26
Thereafter	252

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**4-C. Pension Plans (continued)**

**Actuarial assumptions:**

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuations were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Assets class</b>	<b>Expected Return Arithmetic Basis</b>		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100.00%</b>		<b>5.23%</b>
		Inflation	2.60%
		Expected arithmetic nominal return	7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

**4-C. Pension Plans (continued)**

**Discount rate:**

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

**Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:**

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

<u>System</u>	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 87,190	\$ 42,094	\$ 4,463
Tier 2 Public Employees System	4,887	718	(2,453)
<b>Total</b>	<b>\$ 92,077</b>	<b>\$ 42,812</b>	<b>\$ 2,010</b>

**Pension plan fiduciary net position:**

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

**Defined Contribution Savings Plan:**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report. The Town participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan

Employee and employer contributions to the Utah Retirement Contribution Savings Plans for fiscal year ended June 30, were as follows:

	2017	2016	2015
<b>401(k) Plan</b>			
Employer Contributions	\$ 953	926	-
Employee Contributions	-	-	-

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**4-D. Rounding convention**

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

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Town of Apple Valley  
**Notes to Required Supplementary Information**  
June 30, 2017

**Budgetary Comparison Schedules**

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

**Budgeting and Budgetary Control**

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

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

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, spending was under appropriations.

**Changes in Assumptions Related to Pensions**

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

Town of Apple Valley  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For the year ended June 30, 2017

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 198,500	194,400	193,301	(1,099)
Licenses and permits	28,500	70,100	74,865	4,765
Intergovernmental revenues	73,000	90,189	111,665	21,476
Charges for services	131,350	203,070	200,648	(2,422)
Fines and forfeitures	4,500	4,000	3,212	(788)
Impact fees	11,270	15,000	19,492	4,492
Interest	3,000	7,900	1,207	(6,693)
Miscellaneous revenue	15,700	12,551	12,312	(239)
<b>Total revenues</b>	<b>465,820</b>	<b>597,210</b>	<b>616,701</b>	<b>19,491</b>
<b>Expenditures</b>				
General government	222,092	278,542	224,450	54,092
Public safety	51,862	94,137	91,994	2,143
Public works/Streets	123,720	138,700	128,589	10,111
Sanitation	32,500	37,350	36,933	417
Culture and recreation	20,607	15,942	15,267	675
Debt service:				
Principal	11,856	15,000	12,519	2,481
Interest	3,183	3,000	2,520	480
<b>Total expenditures</b>	<b>465,820</b>	<b>582,671</b>	<b>512,272</b>	<b>70,399</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>14,539</b>	<b>104,430</b>	<b>89,891</b>
Fund balances - beginning of year	66,272	66,272	66,272	-
<b>Fund balances - end of year</b>	<b>\$ 66,272</b>	<b>80,811</b>	<b>170,701</b>	<b>89,891</b>

Town of Appley Valley  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
 June 30, 2017  
 Last 10 Fiscal Years\*

	As of December 31,		
	2016	2015	2014
<b>Noncontributory Retirement System</b>			
Proportion of the net pension liability (asset)	0.0065554%	0.0033798%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 42,094	\$ 19,125	\$ -
Covered employee payroll	\$ 41,700	\$ 20,800	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.94%	91.95%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	87.30%	87.80%	0.00%
<b>Tier 2 Public Employees Retirement System</b>			
Proportion of the net pension liability (asset)	0.0064359%	0.0040175%	0.0000000%
Proportionate share of the net pension liability (asset)	\$ 718	\$ (9)	\$ -
Covered employee payroll	\$ 52,780	\$ 26,000	\$ -
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.36%	-0.03%	0.00%
Plan fiduciary net position as a percentage of the total	95.10%	100.20%	0.00%

\* In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the the last three years.

Town of Appley Valley  
**SCHEDULE OF CONTRIBUTIONS**

June 30, 2017

Last 10 Fiscal Years\*

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<b>Noncontributory System</b>	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	7,684	7,684	-	41,600	18.47%
	2017	7,757	7,757	-	42,000	18.47%
<b>Tier 2 Public Employees Riterment System**</b>	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	7,791	7,791	-	52,000	14.98%
	2017	7,986	7,986	-	53,560	14.91%

\* Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the past 4 years.

\*\* Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

**OTHER SUPPLEMENTARY INFORMATION**

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Town of Appley Valley  
**OTHER SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2017

This information is required by one of the Big Plains Water and Sewer Special Service District's bondholders to be included in the notes to the financial statements. It is not otherwise a required item for disclosure.

**Insurance Coverage**

The Big Plains Water and Sewer Special Service District was insured for General Liability and Auto by the Utah Local Government Trust as of June 30, 2016. The following is a summary of the relevant coverages at June 30, 2017:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2018
Auto Bodily Injury	2,000,000	9/30/2018
Auto Property Damage	2,000,000	9/30/2018
Personal Injury Protection	As State Requires	9/30/2018
Underinsured Motorist	80,000	9/30/2018
Uninsured Motorist	80,000	9/30/2018
Pollution Exclusion Endorsement	50,000	9/30/2018
No Fault Sewer Cleanup	5,000	9/30/2018

**Water System Cutomers and Connections**

Customers	371
Connections	321
 Total revenues billed	 \$ 282,110

**Schedule of Water Rates**

	<u>Cost Per 1,000 Gallons:</u>	
Water - Base of \$29.00	5,000	\$ 1.50
	5,001-12,000	\$ 1.75
	12,001-25,000	\$ 2.00
	25,001-35,000	\$ 2.25
	35,001-45,000	\$ 2.50
	45,001+	\$ 2.75

**Established Funds and Balances**

Bond Fund	\$ 42,500
Reserve Fund	46,648
Capital Facilities Replacement Fund	41,976

**Governing Body**

Harold Merritt	Executive Officer
Neil Duncan	Secretary
Rick Moser	Treasurer
Jack Davis	Board Member
Ron Brown	Board Member

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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***

Honorable Mayor and  
Members of the Town Council  
Town of Apple Valley, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley, Utah, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Apple Valley, Utah's basic financial statements and have issued our report thereon dated March 28, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider a material weakness.

2017-001      Prior Period Adjustments

### **Compliance and Other Matters**

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

### **Town of Apple Valley, Utah's Response to Findings**

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

### **Purpose of this Report**

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



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2018



**Independent Auditors' Report as Required by the  
*State Compliance Audit Guide* on:  
Compliance with General State Compliance Requirements;  
and Internal Controls Over Compliance**

Honorable Mayor and  
Members of the Town Council  
Town of Apple Valley, Utah

**Report on Compliance with General State Compliance**

We have audited the Town of Apple Valley, Utah's (Town) compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the Town for the year ended June, 30, 2017.

General state compliance requirements were tested for the year ended June 30, 2017 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Treasurer's Bond
- Special and Local Service District Board Members

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Town's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Town occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the Town's compliance.

### ***Opinion***

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Town for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as item 2017-002. Our opinion on compliance is not modified with respect to these matters.

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Response to Findings. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the compliance requirements that could have a direct and material effect on the Town to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 state compliance requirement 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 state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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



HintonBurdick, PLLC  
St. George, Utah  
March 28, 2018

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MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA  
MICHAEL J. TORGERSON, CPA  
PHILLIP S. PEINE, CPA

STEVEN D. PALMER, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA  
MORRIS J. PEACOCK, CPA  
JEFF C. HUNT, CPA

**Findings and Recommendations  
For the Year Ended June 30, 2017**

The Honorable Mayor and  
Town Council  
Town of Apple Valley, 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. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Apple Valley for the fiscal year ended June 30, 2017 we noted a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

2017-001. Prior Period Adjustments

*Criteria:* Under accrual accounting expenses are recognized when incurred. Once the service has been provided, or product delivered, and the Town is responsible for payment the expense should be recorded, even if the payment occurs at a later date.

*Condition:* During the course of the audit and wrap up, there were a number of significant expenses for engineering services related to fiscal year 2016 noted which were not initially recorded in fiscal year 2016. The Town did not have the related invoices in its files or records until fiscal years 2017 and 2018.

*Cause:* The Town's internal controls are not properly designed and implemented to guarantee timely receipt of invoices and recording of expenses in the period the expenses occurred.

*Effect:* Prior period adjustments were needed to report the expenses in the correct fiscal year.

*Recommendation:* We recommend management review the proposed journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the City develop an action plan to ensure all significant and material expenses are posted to the general ledger before the annual audit takes place.

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2017-002. Open and Public Meetings Act

*Criteria:* Utah Code 52-4-203(4)(e) states that within three days of minutes being approved, they must be posted to the Utah Public Notice website.

*Condition:* The Town has not been posting meeting minutes to the website within three days of the meeting minutes being approved.

*Cause:* There was a breakdown of internal control related to the open and public meetings act.

*Effect:* The Town is not in compliance with Utah Code 52-4-203(4)(e).

*Recommendation:* We recommend the Town establish procedures to ensure that approved minutes are posted to the website within three days of being approved.

**Other Matters:**

None noted

Responses

Please respond to the above Findings and Recommendations in letter form.

This report is intended solely for the information and use of the Town 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 Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC  
March 28, 2018



Mayor Robert Campbell  
Council Members: Michael McLaughlin, Debbie Kopp, Trevor Black, Paul Edwardsen

1777 North Meadowlark Drive, Apple Valley, Utah 84737  
Phone: 435-877-1190 Fax: 435-877-1192  
[www.applevalleyut.gov](http://www.applevalleyut.gov)

April 4, 2018

HintonBurdick, PLLC  
63 South 300 East, Suite 100  
St. George, UT 84770

RE: Response to Findings and Recommendations, FY2017 Audit

Dear HintonBurdick,

Our responses to the findings and recommendations of the FY2017 audit are as follows:

**Material Weaknesses: 2017-001 Prior Period Adjustments**

Since the changeover of the previous administration to the new administration on January 1, 2018, we have had several meetings and email conversations with Ensign Engineering personnel to ensure that we receive invoices with detail submitted for payment in a timely matter. Currently we are reviewing the engineering contract to make adjustments if necessary to require the timely submissions.

Additionally, we know of no other invoices that have not been submitted timely. This seems to be an issue related solely to Ensign Engineering.

**Compliance: 2017-002 Open and Public Meetings Act**

During the course of Fiscal Year 2017 and continuance through December 31, 2017, the previous administration did not comply with the Open and Public Meetings Act. The previous clerk earned his Certified Municipal Clerk (CMC) designation through the International Institute of Municipal Clerks declaring his proficiency in his position and demonstrated mastery of administrative skills critical to good government. We would expect with that designation that this finding would not be a weakness. As of January 1, 2018, with the new administration in place, this practice is no longer an issue. All approved meeting minutes are posted to the Utah Public Notice website and additionally on our website within the three day requirement. As an internal control, the Mayor is notified by Utah Public Notice when the Clerk has posted the minutes.

Thank you,

**Robert S. Campbell**  
Mayor