

Town of Apple Valley  
Washington County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2012

Town of Apple Valley  
**TABLE OF CONTENTS**  
June 30, 2012

	<u>Beginning on page</u>
INDEPENDENT ACCOUNTANTS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	11
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	31
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	33



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**Independent Accountants' Review Report**

The Honorable Mayor and  
Town Council  
Apple Valley, Utah

We have reviewed the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Apple Valley as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Town of Apple Valley. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Town of Apple Valley is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are presented for purposes of additional analysis. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but it has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

*HintonBurdick, PLLC*

HintonBurdick, PLLC  
August 20, 2012

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

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Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2012

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, 2012.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets at year end were \$762,507.
- \*Total net assets for the Town as a whole decreased by \$5,035.
- \*Total unrestricted net assets for the Town as a whole increased by \$16,048.
- \*The Town had no long-term debt at year end.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of 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 assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the 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, 2012

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

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

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

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

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

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

**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, 2012

**FINANCIAL ANALYSIS**

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

	Governmental Activities	
	Current Year	Previous Year
Current and other assets	\$ 313,540	272,517
Net capital assets	548,944	573,609
<b>Total assets</b>	<b>862,485</b>	<b>846,126</b>
Current liabilities	26,527	4,387
Long-term liabilities	73,450	74,197
<b>Total liabilities</b>	<b>99,977</b>	<b>78,584</b>
Net assets:		
Capital assets, net of debt	548,944	573,609
Restricted	55,458	51,877
Unrestricted	158,105	142,056
<b>Total net assets</b>	<b>\$ 762,507</b>	<b>767,542</b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$762,507, a decrease of \$5,035 from the previous year. This change is equivalent to the net loss for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$158,105, which represents an increase of \$16,048 from the previous year. Unrestricted net assets are those 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, 2012

**FINANCIAL ANALYSIS (continued)**

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

	Governmental Activities	
	Current Year	Previous Year
<b>Program revenues:</b>		
Charges for services	\$ 48,826	112,559
Operating grants	75,742	3,896
Capital grants	7,000	230,956
<b>General revenues:</b>		
Property taxes	73,893	83,555
Sales tax	65,790	46,733
Other taxes	9,376	9947
Unrestricted investment earnings	8,555	959
Other revenues	4,949	-
<b>Total revenues</b>	<b>294,131</b>	<b>488,605</b>
<b>Expenses:</b>		
General government	150,689	109,661
Public safety	73,669	41,381
Public works/Streets	43,801	42,994
Sanitation	30,246	24,901
Culture and recreation	761	1,078
<b>Total expenses</b>	<b>299,166</b>	<b>220,015</b>
<b>Change in net assets</b>	<b>\$ (5,035)</b>	<b>268,590</b>

For the Town as a whole, total revenues decreased by \$195,221 compared to the previous year, while total expenses increased by \$79,151. The total net loss for the year of \$5,035 is a decrease from the previous year of \$274,372.

The decrease in revenues is primarily due to capital contributions of \$181,500 received in the prior year.

The overall increase in expenses is due to an increase in engineering fees in the general government department and an increase in depreciation expense in the public safety department.

Town of Apple Valley  
**Management's Discussion and Analysis**  
 June 30, 2012

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$213,563 reflects an increase of \$19,630 from the previous year. Total revenues increased by \$61,223. Tax revenues increased by \$24,385. Intergovernmental revenues increased by \$30,288. Impact fee revenues increased by \$3,500. All other revenues increased by \$3,050.

Total expenditures increased by \$73,117. Expenditure changes, by department, excluding capital outlay: general government increased by \$53,859, public safety increased by \$5,229, sanitation increased by \$5,345, public works and streets increased by \$806, and culture and recreation decreased by \$317. Total expenditures for capital outlay for all departments increased by \$8,195. The significant increase in general government expenditures was due to an increase in engineering fees during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year were originally budgeted in the amount of \$274,761. This amount was amended during the year to \$283,876. Actual revenues amounted to \$294,131.

Expenditures for the current year were originally budgeted in the amount of \$222,261. This amount was amended during the year to \$260,128. Actual expenses amounted to \$274,502, exceeding budget appropriations by \$14,374.

**CAPITAL ASSETS**

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

	Current Year	Previous Year
<b>Net Capital Assets:</b>		
Land and water rights	\$ 247,000	247,000
Buildings	101,820	103,830
Machinery and equipment	179,955	222,779
Work in progress	20,170	-
<b>Totals</b>	<b>\$ 548,944</b>	<b>573,609</b>

The total amount of capital assets, net of depreciation, of \$548,944 is a decrease of \$24,664 from the previous year. The decrease represents the amount that depreciation on capital assets exceeded any new additions to capital assets.

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, 2012

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

No significant economic changes that would affect the Town 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 Nathan Bronemann, Town Clerk/Recorder of Apple Valley at 1777 N. Meadow Lark Drive, Apple Valley, UT 84837.

## **BASIC FINANCIAL STATEMENTS**

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Town of Apple Valley  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 164,449
Accounts receivable, net	92,315
Due from other governments	1,318
Total current assets	258,082
Non-current assets:	
Restricted cash and cash equivalents	55,458
Capital assets:	
Not being depreciated	267,170
Net of accumulated depreciation	281,775
Total non-current assets	604,402
<b>Total assets</b>	<b>862,485</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	19,854
Accrued liabilities	6,673
Total current liabilities	26,527
Non-current liabilities:	
Legal fees	73,450
Total non-current liabilities	73,450
<b>Total liabilities</b>	<b>99,977</b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	548,944
Restricted:	
Public works/Streets	55,458
Unrestricted	158,105
<b>Total net assets</b>	<b>762,507</b>
<b>Total liabilities and net assets</b>	<b>\$ 862,485</b>

See the accompanying notes to the financial statements and accountants' report.

Town of Apple Valley  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2012

<b><u>FUNCTIONS/PROGRAMS:</u></b>	<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	\$ 150,689	11,680	-	-	(139,010)
Public safety	73,669	5,895	848	346	(66,580)
Public works/Streets	43,801	-	74,894	6,372	37,465
Sanitation	30,246	31,252	-	-	1,006
Culture and recreation	761	-	-	282	(479)
<b>Total governmental activities</b>	<b><u><u>\$ 299,166</u></u></b>	<b><u><u>48,826</u></u></b>	<b><u><u>75,742</u></u></b>	<b><u><u>7,000</u></u></b>	<b><u><u>(167,598)</u></u></b>

(Continued on next page)

See the accompanying notes to the financial statements and accountants' report.



Town of Apple Valley  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2012

	Governmental Activities
<b>CHANGE IN NET ASSETS:</b>	
<b>Net (expense) revenue (from previous page)</b>	<b><u>\$ (167,598)</u></b>
<b>General revenues:</b>	
Property taxes	73,893
Sales tax	65,790
Other taxes	9,376
Unrestricted investment earnings	8,555
Miscellaneous	<u>4,949</u>
<b>Total general revenues</b>	<b><u>162,564</u></b>
<b>Change in net assets</b>	<b>(5,035)</b>
Net assets - beginning	841,739
Prior period adjustment	<u>(74,197)</u>
<b>Net assets - ending</b>	<b><u><u>\$ 762,507</u></u></b>

See the accompanying notes to the financial statements and accountants' report.

Town of Apple Valley  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 June 30, 2012

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 164,449
Accounts receivable, net	92,315
Due from other governments	1,318
Restricted cash and cash equivalents	55,458
<b>TOTAL ASSETS</b>	<b>\$ 313,540</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 19,854
Accrued liabilities	6,673
Deferred revenues	73,450
<b>TOTAL LIABILITIES</b>	<b>99,977</b>
 <b>FUND BALANCES:</b>	
Restricted	55,458
Assigned	5,625
Unassigned	152,479
<b>TOTAL FUND BALANCES</b>	<b>213,563</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 313,540</b>

See the accompanying notes to the financial statements and accountants' report.

Town of Apple Valley  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2012

	General Fund
<b>REVENUES:</b>	
Taxes:	
Property	\$ 73,893
Sales	65,790
Other taxes	9,376
Licenses and permits	8,397
Intergovernmental revenues	75,742
Charges for services	40,429
Impact fees	7,000
Interest	8,555
Miscellaneous revenue	4,949
<b>Total revenues</b>	<b>294,131</b>
<b>EXPENDITURES:</b>	
General government	147,922
Public safety	30,798
Sanitation	30,246
Public works/Streets	39,515
Culture and recreation	761
Capital outlay	25,260
<b>Total expenditures</b>	<b>274,502</b>
<b>Net Change in Fund Balances</b>	<b>19,630</b>
Fund balances - beginning of year	193,933
<b>Fund balances - end of year</b>	<b>\$ 213,563</b>

See the accompanying notes to the financial statements and accountants' report.

Town of Apple Valley  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS**  
 June 30, 2012

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$ 213,563</u></b>
<p>Total net assets reported for governmental activities in the statement is different because:</p>	
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.</p>	
Capital assets, at cost	702,217
Less accumulated depreciation	<u>(153,272)</u>
<b>Net capital assets</b>	<b><u>548,944</u></b>
<p>Long-term liabilities are recorded in the government-wide statements but not in the fund statements.</p>	
<b>Legal fees</b>	<b><u>(73,450)</u></b>
<p>Certain revenue is deferred in governmental funds but not in the statement of net assets because it qualifies for recognition under the economic resources measurement focus.</p>	
<b>Deferred revenue</b>	<b><u>73,450</u></b>
<b>Total Net Assets of Governmental Activities</b>	<b><u><u>\$ 762,507</u></u></b>

See the accompanying notes to the financial statements and accountants' report.

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, 2012

**Net Change in Fund Balances - Total Governmental Funds** **\$ 19,630**

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

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

Capital outlays	25,260
Depreciation expense	<u>(49,925)</u>
<b>Net</b>	<u><b>(24,664)</b></u>

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

<b>Legal fees repaid</b>	<u><b>747</b></u>
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The net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources are not reported in the fund statements until available.

<b>Change in deferred revenues</b>	<u><b>(747)</b></u>
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**Change in Net Assets of Governmental Activities** **\$ (5,035)**

See the accompanying notes to the financial statements and accountants' report.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**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.

There are no separate component units combined to form the reporting entity.

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

*Government-wide Financial Statements*

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

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

*Fund Financial Statements*

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**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.

*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 committed, assigned, and unassigned 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, 2012

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

*Governmental funds*

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

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

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

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

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

**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 an allowance for uncollectible accounts. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

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

Property taxes are assessed and collected for the 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, 2012

**1-E. Assets, Liabilities, and Net Assets 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 cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

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

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

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

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	15-40
Machinery and equipment	5-10

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**1-E. Assets, Liabilities, and Net Assets 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 issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. At year-end the Town did not have any long-term debt obligations.

**1-E-8. Fund Equity**

*Government-wide Financial Statements*

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

**Invested in capital assets, net of related debt** - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net assets** - Net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net assets** - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements*

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

**Nonspendable fund balance** - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

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

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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

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

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

**Unassigned fund balance** - Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**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 the succeeding year.

Once adopted, budget amendments which increase total expenditures must be approved by the Town Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the Town's funds have deficit balances.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

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

	<u>Fair Value</u>
Cash on hand	\$ 100
Demand deposits	16,992
Investments - PTIF	202,814
<b>Total cash</b>	<b>\$ 219,907</b>

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

Cash and cash equivalents (current)	\$ 164,449
Restricted cash and cash equivalents (non-current)	55,458
<b>Total cash and cash equivalents</b>	<b>\$ 219,907</b>

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

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

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The 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, 2012

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

**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. 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
Assessment receivable	\$ 73,450
Sanitation	14,406
Other receivable	4,459
<b>Net receivables</b>	<b>\$ 92,315</b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 247,000	-	-	247,000
Work in process	-	20,170	-	20,170
<b>Total capital assets, not being depreciated</b>	<b><u>247,000</u></b>	<b><u>20,170</u></b>	<b><u>-</u></b>	<b><u>267,170</u></b>
Capital assets, being depreciated:				
Buildings	124,426	1,874	-	126,300
Machinery and equipment	305,530	3,217	-	308,747
<b>Total capital assets, being depreciated</b>	<b><u>429,956</u></b>	<b><u>5,091</u></b>	<b><u>-</u></b>	<b><u>435,047</u></b>
Less accumulated depreciation for:				
Buildings	20,597	3,884	-	24,480
Machinery and equipment	82,751	46,041	-	128,792
<b>Total accumulated depreciation</b>	<b><u>103,348</u></b>	<b><u>49,925</u></b>	<b><u>-</u></b>	<b><u>153,272</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>326,609</u></b>	<b><u>(44,834)</u></b>	<b><u>-</u></b>	<b><u>281,775</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 573,609</u></b>	<b><u>(24,664)</u></b>	<b><u>-</u></b>	<b><u>548,944</u></b>

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

<b>Governmental activities:</b>	
General government	\$ 2,768
Public safety	42,871
Public works/Streets	4,286
<b>Total</b>	<b><u>\$ 49,925</u></b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

**3-D. Restricted and assigned fund balances**

At June 30, 2012, the Town's restricted and assigned fund balances are as follows:

<b>General Fund:</b>	
Restricted:	
Impact fees	\$ 55,458
Assigned:	
Fire Department	2,215
Miss Apple Valley	446
Scholarship	2,964
Unassigned	<u>152,479</u>
<b>Total fund balance</b>	<b><u><u>\$ 213,563</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. Employee pension and other benefit plans**

The Town does not participate in the Utah State-Wide Local Government Retirement System.

**4-C. Prior period adjustment**

In a prior year, the Town incurred significant legal fees related to a subdivision. To cover the cost of those legal fees, the Town levied a special assessment on that subdivision. The owners of the lots in that subdivision were given up to 20 years to pay the assessments. An agreement was made with the attorneys that the fees would not be due and payable until the assessments were collected. Since the fees will not be paid until the assessments are collected, a liability was not recorded on the fund financial statements. However, this transaction created a long-term obligation for the Town and should have been accrued as a long-term liability on the government-wide financial statements. A prior period adjustment is recorded in the current year to adjust governmental net assets. The effect of this adjustment was to increase governmental long term liabilities by \$74,197 and decrease governmental net assets by \$74,197.

**REQUIRED SUPPLEMENTARY INFORMATION**



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Town of Apple Valley  
**Notes to Required Supplementary Information**  
June 30, 2012

**Budgetary Comparison Schedules**

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

**Budgeting and Budgetary Control**

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

Original budgets represent the revenue estimates and spending authority authorized by the 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, 2012, spending within the following departments exceed budget appropriations by the following amounts:

Public safety	\$2,171
Sanitation	\$537
Public works/Streets	\$1,965

Town of Apple Valley  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2012

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 129,886	149,850	149,059	(791)
Licenses and permits	21,875	7,376	8,397	1,021
Intergovernmental revenues	32,650	75,348	75,742	394
Charges for services	34,500	31,798	40,429	8,631
Impact fees	52,500	7,000	7,000	-
Interest	1,150	8,340	8,555	215
Miscellaneous revenue	2,200	4,164	4,949	785
<b>Total revenues</b>	<b><u>274,761</u></b>	<b><u>283,876</u></b>	<b><u>294,131</u></b>	<b><u>10,255</u></b>
<b>Expenditures</b>				
General government	161,135	166,591	153,012	13,579
Public safety	51,390	28,627	30,798	(2,171)
Sanitation	27,300	29,709	30,246	(537)
Public works/Streets	32,686	37,550	39,515	(1,965)
Culture and recreation	2,250	21,399	20,931	468
<b>Total expenditures</b>	<b><u>274,761</u></b>	<b><u>283,876</u></b>	<b><u>274,502</u></b>	<b><u>9,374</u></b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>19,630</b>	<b>19,630</b>
Fund Balances - beginning of year	193,933	193,933	193,933	-
<b>Fund Balances - end of year</b>	<b><u>\$ 193,933</u></b>	<b><u>193,933</u></b>	<b><u>213,563</u></b>	<b><u>19,630</u></b>

See accountants' report.