

TOWN OF APPLE VALLEY
SINGLE AUDIT ACT REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF APPLE VALLEY

Table of Contents

	PAGE
Report on Compliance and on Internal Control over Financial Reporting	1
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance	3
Summary of Auditors' Results.....	6
Financial Statement Findings.....	7
Federal Award Findings and Questioned Costs.....	12
Summary Schedule of Prior Audit Findings.....	12
Schedule of Expenditures and Federal Awards and Notes to the Schedule of Expenditures and Federal Awards	13
Corrective Action Plan.....	14
Response to Financial Audit Findings and Recommendations.....	15



**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, 2013, 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 December 30, 2013.

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.

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. However, as described in the accompanying schedule of findings and recommendations we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

13-1. Reconciliations and Year-End Accounting

13-2. Segregation of Duties

13-3. Billing Adjustments

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies.

13-4. Capital Asset Management

13-5. Bank Reconciliations

13-6. Supporting Documentation

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
December 30, 2013

**Report on Compliance for Each Major Program
and on Internal Control over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Apple Valley, Utah's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Apple Valley, Utah's major federal programs for the year ended June 30, 2013. The Town of Apple Valley, Utah's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Apple Valley, Utah's major federal programs based on our audit of the types of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Apple Valley, Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Apple Valley, Utah's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Apple Valley, Utah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town of Apple Valley, Utah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town of Apple Valley, Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Apple Valley, Utah's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Apple Valley, Utah's basic financial statements. We issued our report thereon dated December 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Town of Apple Valley, Utah's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OBC Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hinton Burdick, PLLC

HintonBurdick, PLLC
St. George, Utah
November 18, 2015

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiencies(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiencies(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Loan Fund

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

Auditee qualified as low-risk auditee? yes no

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Material Weaknesses:

13-1. Reconciliations and Year-End Accounting

During our audit, we noted material misstatements that were not initially identified by the Town's internal controls. Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of such a misstatement in the financial statements may be a material weakness in the Town's internal controls.

Recommendation

We recommend that management review and understand the proposed audit adjustments. A plan should be developed and implemented to ensure, to the extent possible, that all significant adjustments and accruals are properly posted to the general ledger before the annual audit.

13-2. Segregation of Duties

The accounting cycles lack segregation of duties. The same individual enters billing information, receives cash, prepares and delivers bank deposits, enters cash receipts into the accounting system, and reconciles the bank statements. This same individual is a signor on the bank account, and no one is reviewing the reconciled bank statements.

Recommendation

While segregation of duties can be difficult in smaller organizations, the Town Council and management should consider ways that segregation of duties can be improved within the accounting and administrative functions. If duties cannot be segregated, the Council and management should consider monitoring controls including, but not limited to review of the reconciled bank statement.

13-3. Billing Adjustments

During our audit, we noted there is no review of billing adjustments beyond the individual who approves the adjustments and enters them into the accounting system. A lack of monitoring of these adjustments increases the possibility of error or fraud occurring without being noted and corrected.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings, Continued

Recommendation

We recommend that Council and Management review the Town's policies and procedures related to billing adjustments and put in place a process for the adjustments to be reviewed and approved by a second person.

Significant Deficiencies:

13-4. Capital Asset Management

During our test work we noted the following with the Town's capital asset management procedures:

- There was \$97,000 in engineering, design, and professional services related to the acquisition and implementation of the infrastructure held by the Big Plains Water and Sewer Special Service District which had been recorded as construction in progress as of June 30, 2013, while the rest of the related infrastructure and other capital assets had been capitalized. When capitalizing the expenditures on a completed project, all related expenditures need to be capitalized and depreciation of the assets started in the year the project is completed.
- There was \$30,000 in design, engineering, and planning expended on the next stage of development for the Big Plains Water and Sewer Special Service District, which was classified as an expense, not as construction in progress. All expenditures directly related to bringing capital assets to a usable state should be capitalized as part of the cost of the capital asset. In projects spanning fiscal years, the expenditures should be included in construction in progress until the project is completed.

Recommendation

We recommend the Town consider its procedures for recording capital asset activity. All capital expenditures need to be recorded as increases in capital assets and not as expenses in proprietary funds. Also, capital expenditures need to be properly reclassified from construction in progress to depreciable capital assets when a project is completed. Capital asset activity should be reviewed and reconciled on a regular basis to verify the activity is being properly recorded.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings, Continued

13-5. Bank Reconciliations

During our test work we noted the following with the Town's bank reconciliations and procedures:

- The bank reconciliations are not always being reconciled to the end of month. The SBSU checking account reconciliation for June 2013 was reconciled through the middle of July. To agree and reconcile the June 30, 2013 general ledger balance to the bank balance, the regular bank account reconciliation had to be manually adjusted from the middle of July back to June 30, 2013.
- Once the SBSU checking account reconciliation was adjusted to back out activity occurring after June 30 initially included in the reconciliation there was a small difference between the reconciled balance and the general ledger balance. When reconciliations are performed there should be no differences between the reconciled balance and the general ledger balance.

Recommendation

We recommend the Town perform its bank reconciliations through the end of the month and resolve any differences between the reconciled book balance and the general ledger balance.

13-6. Supporting Documentation

During our audit, we noted a \$9,000 expenditure on a truck for which no bill of sale could be found. Supporting documentation for all transactions should be kept on file and readily available.

Recommendation

We recommend that management review its documentation policies and make any needed changes to make certain valid documentation supporting all transactions are kept on file and readily accessible.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings, Continued

Compliance and Other Matters:

Compliance:

13-7. Budgeting for all Funds and Departments

U.C.A. 10-5-106 requires Utah Towns to prepare budgets for its funds, including enterprise funds. U.C.A. 10-5-114 does not allow total expenditures to exceed amounts appropriated by the Town's final budget. We noted that in FY13 there were no expenses or revenues budgeted for the Big Plains Water and Sewer Special Service District (a blended component unit), but there were both revenues and expenses recorded for the special service district.

Recommendation

We recommend that the Town include revenue and expenditures for the special service district in its budgets.

13-8. Deposit and Investment Report

U.C.A. 51-7-15 requires the Town to submit a semi-annual report on the Town's deposits and investments. We noted that the report on the June 30, 2013 deposits and investments did not include the information on the Big Plains Water and Sewer Special Service District deposits. Further review showed no separate report filed for the special service district and as such, the Town's report was incomplete.

Recommendation

We recommend that the Town implement a review process or other procedures to verify all deposits for the Town and the special service district are included in its reports.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings, Continued

13-9. Expenses in Excess of Budget

The Fiscal Procedures Act for Utah Cities, Section 10-6-123 states, “No expenditures or encumbrances can be made in excess of appropriation for any department.” The general government department, public safety department, and sanitation department over-expended their budgets in fiscal year 2012-2013.

Recommendation

We recommend that the Town take measures to operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

Other Matters:

No other matters reported in fiscal year 2013.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section III - Federal Award Findings and Questioned Costs

Material Weaknesses and Significant Deficiencies:

No significant matters were noted.

Compliance and Other Matters:

Environmental Protection Agency

Drinking Water State Revolving Loan Fund – 66.468

13-10 Single Audit Submission

OMB Circular A-133 requires annual Single Audits to be submitted within nine months after the end of the year under audit. The Town of Apple Valley, Utah did not timely submit the Single Audit for the year under audit.

Section IV - Summary Schedule of Prior Audit Findings

No significant matters were noted.

TOWN OF APPLE VALLEY, UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>Enviromental Protection Agency</u>			
Passed through Department of Conservation & Natural Resources Drinking Water State Revolving Loan Fund	66.468	FS 99878412	* <u>2,261,907</u>
Total expenditure of federal awards:			<u>\$ 2,261,907</u>

* Major program

CORRECTIVE ACTION PLAN

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

13-10 Single Audit Submission

Due to incorrect information received regarding the loan, the District and the Town were not aware of the Federal funding and the single audit was not submitted in a timely manner. The District and the Town have improved their communications with awarding agencies to be better informed on funding sources for all grants and debt received by either the District or the Town.

Nathan Bronemann
Town Clerk
Apple Valley, Utah



Mayor Richard Moser, Council Members: Roger Ashmore, Trevor Black, Judith Davis, and Kevin Sair

1777 North Meadowlark Drive, Apple Valley, Utah 84737
Phone: 435-877-1190 Fax: 435-877-1192
www.applevalleyut.gov

After review and consideration of your finding I am prepared to put in to place recommendations made by your firm to bring the items mentioned into compliance, I will be working with the Mayor pro-temp as well as the newly elected treasure to ensure that we make all changes that are necessary.

Regards,

Richard Moser
Mayor, Town of Apple Valley