

Town of Apple Valley  
Washington County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2014



Town of Apple Valley  
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June 30, 2014

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

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 November 14, 2014, 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  
November 14, 2014

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

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Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2014

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, 2014.

**FINANCIAL HIGHLIGHTS**

- \*Total net position for the Town as a whole increased by \$82,109.
- \*Total unrestricted net position for the Town as a whole decreased by \$124,679.
- \*Total net position for governmental activities increased by \$35,794.
- \*Total net position for business-type activities increased by \$46,315.

**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 position presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows, with differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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, 2014

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

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

Proprietary funds. The Town maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise funds to account for the operations of the water utilities 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, 2014

**FINANCIAL ANALYSIS**

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

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 350,527	339,953	276,671	240,500	627,198	580,453
Net capital assets	639,472	660,115	2,956,550	2,967,968	3,596,021	3,628,084
<b>Total assets</b>	<b>989,999</b>	<b>1,000,068</b>	<b>3,233,221</b>	<b>3,208,469</b>	<b>4,223,219</b>	<b>4,208,537</b>
Other liabilities	77,567	85,031	3,531	43,094	81,098	128,125
Deferred inflows	57,104	61,493	-	-	57,104	61,493
Long-term debt outstanding	-	34,010	2,558,000	2,540,000	2,558,000	2,574,010
<b>Total liabilities</b>	<b>134,671</b>	<b>180,534</b>	<b>2,561,531</b>	<b>2,583,094</b>	<b>2,696,202</b>	<b>2,763,628</b>
Net position:						
Net investment in capital assets	639,472	626,106	398,550	427,968	1,038,021	1,054,074
Restricted	29,515	32,454	225,779	197,406	255,294	32,454
Unrestricted	186,341	160,975	47,361	-	233,702	358,381
<b>Total net position</b>	<b>\$ 855,328</b>	<b>819,534</b>	<b>671,689</b>	<b>625,375</b>	<b>1,527,017</b>	<b>1,444,909</b>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities and deferred inflows of resources at the close of the year by \$1,527,017, an increase of \$82,109 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$233,702, which represents a decrease of \$124,679 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 outstanding 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, 2014

**FINANCIAL ANALYSIS (continued)**

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

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
<b>Program revenues:</b>						
Charges for services	\$ 82,937	62,825	186,216	34,048	269,153	96,873
Operating grants and contributions	48,405	43,076	-	-	48,405	43,076
Capital grants and contributions	-	-	12,000	656,507	12,000	656,507
<b>General revenues:</b>						
Property taxes	103,239	115,375	-	-	103,239	115,375
Sales tax	74,672	67,984	-	-	74,672	67,984
Other taxes	14,177	11,976	-	-	14,177	11,976
Unrestricted investment earnings	2,119	3,691	847	1,074	2,967	4,766
Other revenues	6,700	2,587	-	-	6,700	2,587
<b>Total revenues</b>	<b><u>332,249</u></b>	<b><u>307,516</u></b>	<b><u>199,064</u></b>	<b><u>691,629</u></b>	<b><u>531,313</u></b>	<b><u>999,145</u></b>
<b>Expenses:</b>						
General government	138,012	127,177	-	-	138,012	127,177
Public safety	78,265	59,485	-	-	78,265	59,485
Public works/Streets	43,400	35,238	-	-	43,400	35,238
Sanitation	28,258	30,799	-	-	28,258	30,799
Culture and recreation	7,210	4,470	-	-	7,210	4,470
Interest on long-term debt	1,310	237	-	-	1,310	237
Big Plains Water & Sewer SSD	-	-	152,749	66,255	152,749	66,255
<b>Total expenses</b>	<b><u>296,456</u></b>	<b><u>257,406</u></b>	<b><u>152,749</u></b>	<b><u>66,255</u></b>	<b><u>449,205</u></b>	<b><u>323,661</u></b>
<b>Change in net position</b>	<b><u>\$ 35,794</u></b>	<b><u>50,109</u></b>	<b><u>46,315</u></b>	<b><u>625,375</u></b>	<b><u>82,109</u></b>	<b><u>675,484</u></b>

For the Town as a whole, total revenues decreased by \$467,832 compared to the previous year, while total expenses increased by \$125,544. The total net change of \$82,109 is, in private sector terms, the net income for the year which is \$593,375 less than the previous year's net change (net income).

Governmental activities revenues of \$332,249 is \$24,734 more than the previous year. This is primarily due to an increase in charges for services. Governmental activities expenses of \$296,456 is \$39,050 more than the previous year. While sanitation spending decreased slightly during the year, all other department spending increased.

Business-type activities revenues of \$199,064 is \$492,566 less than the previous year. This is primarily due to a decrease in grant revenues. Business-type activities expenses of \$152,749 is \$86,494 more than the previous year.

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2014

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

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

*General Fund*

The fund balance of \$215,856 reflects an increase of \$22,428 from the previous year. Total revenues decreased by \$10,372. Tax revenues, including property taxes and sales taxes decreased by \$3,247. Proceeds from long-term debt decreased by \$35,106. Intergovernmental revenue increased by \$5,329. Charges for services and fines and forfeitures increased by \$30,665. All other revenues decreased by \$8,011.

Total expenditures decreased by \$59,850. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government decreased by \$2,030, public safety increased by \$18,983, sanitation decreased by \$2,541, streets and highways increased by \$6,437, and culture and recreation increased by \$2,740. Total expenditures for capital outlay for all departments decreased by \$117,426. Debt service expenditures increased by \$33,987.

Fund balances restricted for impact fees and roads amount to \$29,515. The assigned fund balance amounts to \$3,725, leaving an unassigned fund balance of \$182,616.

*Big Plains Water & Sewer Special Service District Fund*

Net operating income for the year was \$34,951, compared the the previous year amount of \$5,596. The change in net position (net income) was \$46,315. The restricted net position amounts to \$225,779, leaving an unrestricted net position of \$47,360. The unrestricted net position amounts to \$47,360.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Revenues for the current year were originally budgeted in the amount of \$302,250. This amount was amended during the year to \$331,131. Actual revenues for the current year amounted to \$332,249, which was \$1,118 more than budgeted.

Expenditures for the current year were originally budgeted in the amount of \$302,250. This amount was amended during the year to \$323,816. Actual expenditures amounted to \$309,822, which was \$13,994 less than the budgeted amount.

Town of Apple Valley  
**Management's Discussion and Analysis**  
June 30, 2014

**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	\$ 287,967	287,967	1,016,820	1,014,492	1,304,787	1,302,459
Buildings	133,610	133,610	-	-	133,610	133,610
Water distribution system	-	-	1,928,499	1,927,085	1,928,499	1,927,085
Machinery and equipment	394,194	377,644	36,352	2,500	430,546	380,144
Work in progress	41,766	24,370	30,000	30,000	71,766	54,370
 Total	 857,537	 823,590	 3,011,671	 2,974,077	 3,869,208	 3,797,667
 Less accumulated depreciation	 (218,065)	 (163,475)	 (55,121)	 (6,109)	 (273,186)	 (169,584)
 <b>Net capital assets</b>	 <b><u>\$ 639,472</u></b>	 <b><u>660,115</u></b>	 <b><u>2,956,550</u></b>	 <b><u>2,967,968</u></b>	 <b><u>3,596,021</u></b>	 <b><u>3,628,084</u></b>

The total amount of capital assets, net of depreciation, of \$3,596,021 is a decrease of \$32,062 from the previous year.

Governmental activities capital assets, net of depreciation, of \$639,472 represents a decrease of \$20,644 from the previous year. Assets were added during the year in the total amount of \$33,947. Depreciation charged during the year on governmental type activity assets amounted to \$54,590.

Business-type activities capital assets, net of depreciation, of \$2,956,550 represents a decrease of \$11,419 from the previous year. Assets were added during the year in the total amount of \$37,594. Depreciation charged during the year amounted to \$49,012.

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, 2014

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

**Town of Apple Valley's Outstanding Debt**

	Current Year	Previous Year
<b>Governmental activities:</b>		
2013 SBSU Land Note	\$ -	23,010
2013 SBSU Case Motor Grader	-	11,000
<b>Total governmental</b>	<b>-</b>	<b>34,010</b>
<b>Business-type activities:</b>		
2004 F-250 Truck	18,000	-
2013 Water Revenue	2,540,000	2,540,000
<b>Total business-type</b>	<b>2,558,000</b>	<b>2,540,000</b>
<b>Total outstanding debt</b>	<b>\$ 2,558,000</b>	<b>2,574,010</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 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.

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## **BASIC FINANCIAL STATEMENTS**

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Town of Apple Valley  
**STATEMENT OF NET POSITION**  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 171,611	-	171,611
Accounts receivable, net	75,373	33,496	108,869
Due from other governments	68,729	-	68,729
Internal balances	(258)	258	-
<b>Total current assets</b>	<b>315,454</b>	<b>33,754</b>	<b>349,208</b>
Non-current assets:			
Restricted cash and cash equivalents	34,815	242,917	277,732
Capital assets:			
Not being depreciated	329,733	1,046,820	1,376,553
Net of accumulated depreciation	309,738	1,909,730	2,219,468
<b>Total non-current assets</b>	<b>674,286</b>	<b>3,199,467</b>	<b>3,873,753</b>
<b>Total assets</b>	<b>\$ 989,741</b>	<b>3,233,221</b>	<b>4,222,962</b>
<b>LIABILITIES AND DEFERRED INFLOW OF RESOURCES:</b>			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 154	245	399
Accrued liabilities	5,698	3,286	8,985
Customer security deposits	5,300	-	5,300
Capital lease, current portion	-	4,290	4,290
Revenue bonds, current	-	85,000	85,000
<b>Total current liabilities</b>	<b>11,152</b>	<b>92,821</b>	<b>103,973</b>
Non-current liabilities:			
Legal fees	66,157	-	66,157
Capital lease, long-term portion	-	13,710	13,710
Revenue bonds, long-term portion	-	2,455,000	2,455,000
<b>Total non-current liabilities</b>	<b>66,157</b>	<b>2,468,710</b>	<b>2,534,867</b>
<b>Total liabilities</b>	<b>77,309</b>	<b>2,561,531</b>	<b>2,638,840</b>
Deferred inflow of resources - property tax	57,104	-	57,104
<b>Total liabilities and deferred inflow of resources</b>	<b>134,413</b>	<b>2,561,531</b>	<b>2,695,944</b>
<b>NET POSITION:</b>			
Net investment in capital assets	639,472	398,550	1,038,021
Restricted:			
Utility construction	-	225,779	225,779
Public works/Streets	29,515	-	29,515
Unrestricted	186,341	47,361	233,702
<b>Total net position</b>	<b>855,328</b>	<b>671,689</b>	<b>1,527,017</b>
<b>Total liabilities, deferred inflow of resources, and net position</b>	<b>\$ 989,741</b>	<b>3,233,221</b>	<b>4,222,962</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, 2014

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 138,012	40,405	-	-	(97,607)
Public safety	78,265	-	653	-	(77,613)
Public works/Streets	43,400	-	47,752	-	4,352
Sanitation	28,258	42,532	-	-	14,274
Culture and recreation	7,210	-	-	-	(7,210)
Interest expense	1,310	-	-	-	(1,310)
<b>Total governmental activities</b>	<b><u>296,456</u></b>	<b><u>82,937</u></b>	<b><u>48,405</u></b>	<b><u>-</u></b>	<b><u>(165,114)</u></b>
Business-type activities:					
Water	152,749	186,216	-	12,000	45,467
<b>Total business-type activities</b>	<b><u>152,749</u></b>	<b><u>186,216</u></b>	<b><u>-</u></b>	<b><u>12,000</u></b>	<b><u>45,467</u></b>
<b>Total primary government</b>	<b><u>\$ 449,205</u></b>	<b><u>269,153</u></b>	<b><u>48,405</u></b>	<b><u>12,000</u></b>	<b><u>(119,646)</u></b>

(The statement of activities  
continues on 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, 2014

	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION:</b>			
<b>Net (expense) revenue (from previous page)</b>	<b>\$ (165,114)</b>	<b>45,467</b>	<b>(119,646)</b>
<b>General revenues:</b>			
Property taxes	103,239	-	103,239
Sales tax	74,672	-	74,672
Other taxes	14,177	-	14,177
Unrestricted investment earnings	2,119	847	2,967
Miscellaneous	6,700	-	6,700
<b>Total general revenues</b>	<b>200,907</b>	<b>847</b>	<b>201,755</b>
<b>Change in net position</b>	<b>35,794</b>	<b>46,315</b>	<b>82,109</b>
Net position - beginning	819,534	625,375	1,444,909
<b>Net position - ending</b>	<b>\$ 855,328</b>	<b>671,689</b>	<b>1,527,017</b>

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

Town of Apple Valley  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2014

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 171,611
Accounts receivable, net	75,373
Due from other governments	68,729
Restricted cash and cash equivalents	34,815
<b>TOTAL ASSETS</b>	<b>\$ 350,527</b>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities:	
Accounts payable	\$ 154
Accrued liabilities	5,698
Customer deposits	5,300
Due to other funds	258
Total liabilities	11,410
Deferred inflows of resources - property tax and assessments	123,261
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>134,671</b>
 <b>FUND BALANCES:</b>	
Restricted	29,515
Assigned	3,725
Unassigned	182,616
<b>TOTAL FUND BALANCES</b>	<b>215,856</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 350,527</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, 2014

	<u>General Fund</u>
<b>REVENUES:</b>	
Taxes:	
Property	\$ 103,239
Sales	74,672
Other taxes	14,177
Licenses and permits	6,700
Intergovernmental revenues	48,405
Charges for services	72,184
Fines and forfeitures	4,053
Interest	2,119
Miscellaneous revenue	<u>6,700</u>
<b>Total revenues</b>	<b><u>332,249</u></b>
<b>EXPENDITURES:</b>	
General government	121,390
Public safety	42,547
Sanitation	28,258
Public works/Streets	41,150
Culture and recreation	7,210
Capital outlay	33,947
Debt service:	
Principal	34,010
Interest	<u>1,310</u>
<b>Total expenditures</b>	<b><u>309,822</u></b>
<b>Net Change in Fund Balances</b>	<b>22,428</b>
Fund balances - beginning of year	<u>193,428</u>
<b>Fund balances - end of year</b>	<b><u><u>\$ 215,856</u></u></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, 2014

<b>Total Fund Balances for Governmental Funds</b>	<b><u>\$ 215,856</u></b>
<p>Total net position 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	857,537
Less accumulated depreciation	<u>(218,065)</u>
<b>Net capital assets</b>	<b><u>639,472</u></b>
<p>Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.</p>	
Legal fees	<u>(66,157)</u>
<b>Total long-term liabilities</b>	<b><u>(66,157)</u></b>
<p>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.</p>	
<b>Deferred inflows of resources</b>	<b><u>66,157</u></b>
<b>Total Net Position of Governmental Activities</b>	<b><u><u>\$ 855,328</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, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ 22,428

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	33,947
Depreciation expense	<u>(54,590)</u>
<b>Net</b>	<u><b>(20,644)</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 position.

**Long-term liabilities repaid** 39,303

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.

**Change in legal fees** (5,293)

**Change in Net Position of Governmental Activities** \$ 35,794

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, 2014

	Utility Fund
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 0
Accounts receivable, net	33,496
Due from other funds	258
Total current assets	33,754
Non-current assets:	
Restricted cash and cash equivalents	242,917
Capital assets:	
Not being depreciated	1,046,820
Net of accumulated depreciation	1,909,730
Total non-current assets	3,199,467
<b>Total assets</b>	<b>\$ 3,233,221</b>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 245
Accrued liabilities	3,286
Capital lease, current portion	4,290
Revenue bonds, current portion	85,000
Total current liabilities	92,821
Non-current liabilities:	
Capital lease, long-term	13,710
Revenue bonds, long-term	2,455,000
Total non-current liabilities	2,468,710
<b>Total liabilities</b>	<b>2,561,531</b>
<b>NET POSITION:</b>	
Net investment in capital assets	398,550
Restricted for construction	225,779
Unrestricted	47,361
<b>Total net position</b>	<b>671,689</b>
<b>Total liabilities and net position</b>	<b>\$ 3,233,221</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, 2014

	Utility Fund
<b>Operating revenue:</b>	
Charges for sales and service	\$ 184,716
Connection fees	1,500
<b>Total operating revenue</b>	<b>186,216</b>
<b>Operating expenses:</b>	
Personnel services	43,041
Utilities	14,835
Repair & maintenance	24,170
Professional services	4,750
Other supplies & expenses	8,023
Insurance expense	7,433
Depreciation expense	49,012
<b>Total operating expense</b>	<b>151,266</b>
<b>Net operating income (loss)</b>	<b>34,951</b>
<b>Non-operating income (expense):</b>	
Legal fees	(1,483)
Impact fees	12,000
Interest income	847
<b>Total non-operating income (expense)</b>	<b>11,364</b>
<b>Change in net position</b>	<b>46,315</b>
Net position, beginning	625,375
<b>Net position, ending</b>	<b>\$ 671,689</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, 2014

	Utility Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers - service	\$ 184,768
Cash paid to suppliers	(62,379)
Cash paid to employees	(42,710)
<b>Net cash provided (used) in operating activities</b>	<b>79,679</b>
<b>Cash flows from noncapital financing activities:</b>	
Interfund activity	(36,985)
<b>Net cash provided (used) in noncapital financing activities</b>	<b>(36,985)</b>
<b>Cash flows from capital and related financing activities:</b>	
Cash from impact fees	12,000
Cash from capital lease	18,000
Cash payments for legal fees	(1,483)
Cash payments for capital assets	(37,594)
<b>Net cash provided (used) in capital and related financing activities</b>	<b>(9,077)</b>
<b>Cash flows from investing activities:</b>	
Cash received from interest earned	847
<b>Net cash provided (used) in investing activities</b>	<b>847</b>
<b>Net increase (decrease) in cash</b>	<b>34,465</b>
Cash balance, beginning	208,452
<b>Cash balance, ending</b>	<b>\$ 242,917</b>
<b>Cash reported on the Statement of Net Position:</b>	
Cash and cash equivalents	\$ 0
Non-current restricted cash	242,917
<b>Total cash and cash equivalents</b>	<b>\$ 242,917</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, 2014

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

	<u>Utility Fund</u>
<b>Net operating income (loss)</b>	<b>\$ 34,951</b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	49,012
Changes in assets and liabilities:	
(Increase) decrease in receivables	(1,448)
Increase (decrease) in payables	<u>(2,836)</u>
<b>Net cash provided (used) in operating activities</b>	<b><u><u>\$ 79,679</u></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, 2014

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

The statement of 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, 2014

**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.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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, except those required to be accounted for in another fund.

*Proprietary funds*

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

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, and Net Position or Equity**

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

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 3.

**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 collectable. 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 uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectable 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, 2014

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

**1-E-4. Restricted Net Position**

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

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

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

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

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

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

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

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

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**1-E. Assets, Liabilities, 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 position. 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. Issuance costs are reported as expenditures.

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

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

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

**1-E-9. Estimates**

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

**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.

**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 report 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.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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 Town 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.

**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 Towns's funds have deficit balances.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

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

	<u>Fair Value</u>
Cash on hand	\$ 100
Demand deposits	267,618
Investments - PTIF	181,625
<b>Total cash</b>	<b>\$ 449,342</b>

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

Cash and cash equivalents (current)	\$ 171,611
Restricted cash and cash equivalents (non-current)	277,732
<b>Total cash and cash equivalents</b>	<b>\$ 449,342</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 65.66 as of June 30, 2014. 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, 2014

**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	Big Plains Water & Sewer SSD Fund	Total
Assessment receivable	\$ 66,157	-	66,157
Sanitation	9,216	-	9,216
Water	-	33,496	33,496
<b>Net receivables</b>	<b><u>\$ 75,373</u></b>	<b><u>33,496</u></b>	<b><u>108,869</u></b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**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	\$ 287,967	-	-	287,967
Construction in progress	24,370	17,397	-	41,766
<b>Total capital assets, not being depreciated</b>	<b><u>312,337</u></b>	<b><u>17,397</u></b>	<b><u>-</u></b>	<b><u>329,733</u></b>
Capital assets, being depreciated:				
Buildings	133,610	-	-	133,610
Machinery and equipment	377,644	16,550	-	394,194
<b>Total capital assets, being depreciated</b>	<b><u>511,254</u></b>	<b><u>16,550</u></b>	<b><u>-</u></b>	<b><u>527,804</u></b>
Less accumulated depreciation for:				
Buildings	28,444	4,407	-	32,851
Machinery and equipment	135,031	50,183	-	185,214
<b>Total accumulated depreciation</b>	<b><u>163,475</u></b>	<b><u>54,590</u></b>	<b><u>-</u></b>	<b><u>218,065</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>347,779</u></b>	<b><u>(38,040)</u></b>	<b><u>-</u></b>	<b><u>309,738</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 660,115</u></b>	<b><u>(20,644)</u></b>	<b><u>-</u></b>	<b><u>639,472</u></b>

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

<b>Governmental activities:</b>	
General government	\$ 16,622
Public safety	35,719
Public works/Streets	<u>2,250</u>
<b>Total</b>	<b><u>\$ 54,590</u></b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ 1,014,492	2,328	-	1,016,820
Construction in progress	30,000	-	-	30,000
<b>Total capital assets, not being depreciated</b>	<b><u>1,044,492</u></b>	<b><u>2,328</u></b>	<b><u>-</u></b>	<b><u>1,046,820</u></b>
Capital assets, being depreciated:				
Distribution and collection systems	1,927,085	1,414	-	1,928,499
Equipment	2,500	33,852	-	36,352
<b>Total capital assets, being depreciated</b>	<b><u>1,929,585</u></b>	<b><u>35,266</u></b>	<b><u>-</u></b>	<b><u>1,964,851</u></b>
Less accumulated depreciation for:				
Distribution and collection systems	5,822	48,182	-	54,004
Equipment	286	831	-	1,117
<b>Total accumulated depreciation</b>	<b><u>6,109</u></b>	<b><u>49,012</u></b>	<b><u>-</u></b>	<b><u>55,121</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>1,923,476</u></b>	<b><u>(13,746)</u></b>	<b><u>-</u></b>	<b><u>1,909,730</u></b>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 2,967,968</u></b>	<b><u>(11,419)</u></b>	<b><u>-</u></b>	<b><u>2,956,550</u></b>

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**3-D. Long-term debt**

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

	Original Principal	%	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
<b><u>Governmental activities:</u></b>							
2013 SBSU Case Motor Grader Matures 6/30/2014	\$ 11,000	4.50	\$ 11,000	-	11,000	-	-
2013 SBSU Land Note Matures 6/30/2014	24,106	4.00	23,010	-	23,010	-	-
<b>Total governmental activity long-term liabilities</b>			<b><u>\$34,010</u></b>	<b><u>-</u></b>	<b><u>34,010</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

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

	Original Principal	%	6/30/2013	Additions	Reductions	6/30/2014	Due Within One Year
<b><u>Business-type activities:</u></b>							
2004 F-250 Truck Matures 7/25/2018	\$ 18,000	4.00	-	18,000	-	18,000	4,290
2012 Water Project Matures 1/1/2044	2,540,000	-	2,540,000	-	-	2,540,000	85,000
<b>Total business-type activity long-term liabilities</b>			<b><u>\$2,540,000</u></b>	<b><u>18,000</u></b>	<b><u>-</u></b>	<b><u>2,558,000</u></b>	<b><u>89,290</u></b>

The revenue bond is secured by the revenues of the water system.

	Principal	Interest	Total
2015	\$ 85,000	-	85,000
2016	85,000	-	85,000
2017	85,000	-	85,000
2018	85,000	-	85,000
2019	85,000	-	85,000
2020 - 2024	425,000	-	425,000
2025 - 2029	423,000	-	423,000
2030 - 2034	422,000	-	422,000
2035 - 2039	423,000	-	423,000
2040 - 2044	422,000	-	422,000
<b>Total</b>	<b><u>\$2,540,000</u></b>	<b><u>-</u></b>	<b><u>2,540,000</u></b>



Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**3-E. Capital lease**

The Town acquired a Ford F-250 Truck through capital lease. Amortization of the truck under capital lease is included in depreciation expense. The cost of the truck at acquisition was \$18,500. Depreciation accumulated since acquisition amounts to \$39, leaving a carrying value as of June 30, 2014 of \$18,461.

The truck lease requires monthly payments of \$410.96 with related interest at 4%. The scheduled payments are as follows for the year ending June 30:

	Principal	Interest	Total
2015	\$ 4,290	642	4,932
2016	4,464	467	4,931
2017	4,646	285	4,931
2018	4,600	96	4,696
<b>Total</b>	<b>\$ 18,000</b>	<b>1,490</b>	<b>19,490</b>

Lease payments are included in the schedule of long-term debt in Noted 3-D.

**3-F. Operating lease obligation**

The Town leases a copier. Total cost for the lease was \$649 for the year ended June 30, 2014. The future minimum lease payments for the lease are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 1,299
2016	1,299
2017	1,299
2018	648
	<b>\$ 4,545</b>

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

As of June 30, 2014, there was an outstanding balance due to the Big Plains Water & Sewer Special Service District Fund from the General fund of \$258.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

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

At June 30, 2014, the Town's restricted net position and assigned fund balances are as follows:

<b>General Fund:</b>	
Restricted:	
Impact fees	\$ 14,445
Roads	15,070
Assigned:	
Fire Department	761
Scholarship	2,964
Unassigned	182,616
<b>Total fund balance</b>	<b><u>215,856</u></b>
<b>Utility Fund:</b>	
Net investment in capital assets	398,550
Restricted for:	
Grant funds	197,406
Impact fees	12,000
Reserve fund	8,500
Capital facility replacement	7,873
Unrestricted	47,360
<b>Total net position</b>	<b><u>671,689</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's 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**

Town of Apple Valley does not participate in the Utah State Retirement Plan nor does it participate in any other retirement plan.

Town of Apple Valley  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**4-C. 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, 2014 the Town is carrying a non-current payable balance of \$66,157 for outstanding legal fees and a related receivable of \$66,157 for unpaid assessments. For the year ended June 30, 2014 \$5,293 in assessments were received and a corresponding payment of \$5,293 was made on the related non-current liability.

**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.

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

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Town of Apple Valley  
**Notes to Required Supplementary Information**  
June 30, 2014

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the 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 unassigned fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2014, spending within all departments were within budget appropriations.

Town of Apple Valley  
**SCHEDULE OF REVENUES, EXPENDITUES AND  
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**(Unaudited)**  
 For the Year Ended June 30, 2014

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 166,500	190,707	192,088	1,381
Licenses and permits	14,200	6,805	6,700	(105)
Intergovernmental revenues	50,850	50,275	48,405	(1,870)
Charges for services	54,100	70,586	72,184	1,598
Fines and forfeitures	5,500	4,200	4,053	(147)
Impact fees	4,000	-	-	-
Interest	3,000	2,000	2,119	119
Miscellaneous revenue	4,100	6,558	6,700	142
<b>Total revenues</b>	<b>302,250</b>	<b>331,131</b>	<b>332,249</b>	<b>1,118</b>
<b>Expenditures</b>				
General government	158,400	139,091	134,345	4,746
Public safety	46,686	55,488	53,097	2,391
Sanitation	32,700	31,312	28,258	3,054
Public works/Streets	47,944	48,741	47,150	1,591
Culture and recreation	11,120	12,284	11,652	632
Debt Service:				
Principal	4,500	35,500	34,010	1,490
Interest	900	1,400	1,310	90
<b>Total expenditures</b>	<b>302,250</b>	<b>323,816</b>	<b>309,822</b>	<b>13,994</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>7,315</b>	<b>22,428</b>	<b>15,113</b>
Fund Balances - beginning of year	193,428	193,428	193,428	-
<b>Fund Balances - end of year</b>	<b>\$ 193,428</b>	<b>200,743</b>	<b>215,856</b>	<b>15,113</b>



**OTHER SUPPLEMENTAL INFORMATION**

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Town of Apple Valley  
**OTHER SUPPLEMENTAL INFORMATION**  
For the Year Ended June 30, 2014

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, 2014. The following is a summary of the relevant coverages at June 30, 2014:

	<u>Amount of Coverage</u>	<u>Expires</u>
<b><u>Policy #17220-GL2012:</u></b>		
General Liability	\$ 2,000,000	9/30/2015
Auto Bodily Injury	2,000,000	9/30/2015
Auto Property Damage	2,000,000	9/30/2015
Personal Injury Protection	As State Requires	9/30/2015
Underinsured Motorist	80,000	9/30/2015
Uninsured Motorist	80,000	9/30/2015
Pollution Exclusion Endorsement	50,000	9/30/2015
No Fault Sewer Cleanup	5,000	9/30/2015

**Water System Customers and Connections**

Customers	282	.
Connections	291	.
Total revenues billed	\$183,355	.

**Schedule of Water Rates**

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

**Established Funds and Balances**

Revenue Fund	\$ 475	.
Bond Fund	\$ 42,500	.
Reserve Fund	\$ 8,500	.
Capital Facilities Replacement Fund	\$ 7,873	.

**Governing Body**

Harold Merrit	Executive Officer
Neil Duncan	Secretary
Kevin Sair	Treasurer
Jack Davis	Board Member
Rick Moser	Board Member

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**OTHER COMMUNICATIONS**

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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, 2014, 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 November 14, 2014.

**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 preceding paragraph 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 recommendations that we consider to be material weaknesses.

### 13-2. Segregation of Duties

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 noted no deficiencies in internal control that we consider to be significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations.

### 14-1. Restricted Cash

### **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  
November 14, 2014



**Independent Auditors' Report in Accordance with the  
*State Compliance Audit Guide* on:  
Compliance with General State Compliance Requirements;  
Compliance with Each Major State Program;  
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 Requirements and for Each Major State Program**

We have audited the Town of Apple Valley, Utah's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the Town of Apple Valley, Utah or each of its major state programs for the year ended June, 30, 2014.

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

- Budgetary Compliance
- Fund Balance
- Enterprise Fund Transfers, Reimbursements, Loans and Services
- Government Records Access Management Act (GRAMA)
- Conflicts of Interest
- Nepotism
- Open and Public Meetings Act
- Special and Local Service District Board Members
- Budget Notice and Format

The Town did not have any state funding classified as a major program during the year ended June 30, 2014.

***Management's Responsibility***

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

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

Our responsibility is to express an opinion on The Town of Apple Valley'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 material effect on the Town or its major state programs 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 and for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

### ***Opinion***

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

### ***Other Matters***

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

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

Management of the Town of Apple Valley, Utah 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 or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of 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 general state or major state program 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 general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a

deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
St. George, Utah  
November 14, 2014

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**Findings and Recommendations  
For the Year Ended June 30, 2014**

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, 2014 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:**

13-2. Segregation of Duties - reworded

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 also a signor on the bank account.

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.

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

14-1. Restricted Cash

We noted that certain funds within the Big Plains Water & Sewer Special Service District are to be held as restricted cash due to requirements placed on the District by bond and grant agreements. The City appears to have spent \$25,361 of the restricted cash in fiscal year 2014 leaving the Town short, by that amount, of its required restricted cash balance of \$268,278.

Recommendation

We recommend the Town increase its cash in the District and make certain it has sufficient funds to cover the restricted cash requirements.

**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  
November 14, 2014



December 16, 2014

HintonBurdick, PLLC

After review and consideration of your findings I am prepared to put in to place recommendations made by your firm to bring the items mentioned into compliance. With regard to the material weakness in the segregation of duties, the Town has previously made changes to decrease the risks associated with having a very small staff. Beginning immediately, the Town Council will verify the bank's online statements to ensure that they match the statements and bank reconciliations that are currently being reviewed and verified. In addition, to bring more oversight and control to the receipting of cash, the clerk/recorder will print a weekly report of all receipts to have reviewed and signed by the office assistant, who is in charge of receiving money during her part-time schedule.

In response to the restricted cash compliance issue, the Big Plains Water and Special Service District is in the process of reevaluating their financial situation. The District is working to increase its incoming cash flow to be able to meet the restricted cash requirements while still collecting enough money to properly operate the water system.

I will be working with the Mayor pro-temp as well as the treasure to ensure that we make all changes that are necessary.

Regards,

Richard Moser  
Mayor, Town of Apple Valley