

Town of Apple Valley
Washington County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Town of Apple Valley
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June 30, 2015

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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, 2015, 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, 2015, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 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 December 29, 2015, 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
December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Town of Apple Valley
Management's Discussion and Analysis
June 30, 2015

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, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the Town as a whole increased by \$100,028.
- *Total unrestricted net position for the Town as a whole decreased by \$285,748.
- *Total net position for governmental activities increased by \$62,381.
- *Total net position for business-type activities increased by \$37,647.

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, 2015

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, 2015

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	\$ 240,842	350,527	261,461	276,671	502,303	627,198
Net capital assets	966,735	639,472	5,375,913	2,956,550	6,342,648	3,596,021
Total assets	<u>1,207,577</u>	<u>989,999</u>	<u>5,637,374</u>	<u>3,233,221</u>	<u>6,844,950</u>	<u>4,223,219</u>
Other liabilities	168,989	77,567	221,357	3,531	390,345	81,098
Deferred inflows	57,104	57,104	-	-	57,104	57,104
Long-term debt outstanding	63,776	-	4,706,680	2,558,000	4,770,456	2,558,000
Total liabilities and deferred inflows	<u>289,868</u>	<u>134,671</u>	<u>4,928,037</u>	<u>2,561,531</u>	<u>5,217,905</u>	<u>2,696,202</u>
Net position:						
Net investment in capital assets	902,959	639,472	669,233	398,550	1,572,192	1,038,021
Restricted	1,286	29,515	105,613	225,779	106,899	255,294
Unrestricted	13,464	186,341	(65,509)	47,361	(52,046)	233,702
Total net position	<u>\$ 917,709</u>	<u>855,328</u>	<u>709,336</u>	<u>671,689</u>	<u>1,627,045</u>	<u>1,527,017</u>

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 \$1,627,045, an increase of \$100,028 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 a deficit of \$52,046, which represents a decrease of \$285,748 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, 2015

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		
Program revenues:						
Charges for services	\$ 82,951	74,706	209,356	186,216	292,307	260,922
Operating grants and contributions	56,062	48,405	-	-	56,062	48,405
Capital grants and contributions	56,544	-	24,000	12,000	80,544	12,000
General revenues:						
Property taxes	87,959	103,239	-	-	87,959	103,239
Sales tax	74,532	74,672	-	-	74,532	74,672
Other taxes	14,342	14,177	-	-	14,342	14,177
Unrestricted investment earnings	11,212	10,350	843	847	12,055	11,198
Other revenues	5,870	6,700	-	-	5,870	6,700
Total revenues	389,473	332,249	234,199	199,064	623,671	531,313
Expenses:						
General government	162,878	138,012	-	-	162,878	138,012
Public safety	88,243	78,265	-	-	88,243	78,265
Public works/Streets	29,355	43,400	-	-	29,355	43,400
Sanitation	31,683	28,258	-	-	31,683	28,258
Culture and recreation	14,638	7,210	-	-	14,638	7,210
Interest on long-term debt	294	1,310	37,497	-	37,791	1,310
Big Plains Water & Sewer SSD	-	-	159,055	152,749	159,055	152,749
Total expenses	327,091	296,456	196,552	152,749	523,643	449,205
Change in net position	\$ 62,381	35,794	37,647	46,315	100,028	82,109

For the Town as a whole, total revenues increased by \$92,358 compared to the previous year, while total expenses increased by \$74,439. The total net change of \$100,028 is, in private sector terms, the net income for the year which is \$17,919 more than the previous year's net change (net income).

Governmental activities revenues of \$389,473 is \$57,223 more than the previous year. This is primarily due to an increase in capital grants. Governmental activities expenses of \$327,091 is \$30,636 more than the previous year. While public works/streets spending decreased during the year, all other department spending increased.

Business-type activities revenues of \$234,199 is \$35,135 more than the previous year. This is primarily due to an increase in water revenues and impact fee revenues. Business-type activities expenses of \$196,552 is \$43,803 more than the previous year.

Town of Apple Valley
Management's Discussion and Analysis
June 30, 2015

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 \$14,749 reflects a decrease of \$201,107 from the previous year. Total revenues increased by \$123,211. Tax revenues, including property taxes and sales taxes decreased by \$15,255. Proceeds from long-term debt increased by \$65,988. Intergovernmental revenue increased by \$60,657. Licenses and permits revenue increased by \$17,869. Charges for services and fines and forfeitures decreased by \$17,855. All other revenues increased by \$11,807.

Total expenditures increased by \$259,625. Current expenditure changes by department (excluding capital outlay related to that department) were as follows: general government increased by \$23,915, public safety increased by \$9,931, sanitation increased by \$3,425, streets and highways decreased by \$15,029, and culture and recreation increased by \$7,075. Total expenditures for capital outlay for all departments increased by \$263,122. Debt service expenditures decreased by \$32,814.

Fund balances restricted for impact fees amounts to \$1,286. The assigned fund balance amounts to \$2,964, leaving an unassigned fund balance of \$10,500.

Big Plains Water & Sewer Special Service District Fund

Net operating income for the year was \$56,164, compared the the previous year amount of \$34,951. The change in net position (net income) was \$74,463. The restricted net position amounts to \$249,779, leaving an unrestricted net position of a deficit of \$172,859.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year were originally budgeted in the amount of \$1,926,520. This amount was amended during the year to \$343,187. Actual revenues for the current year amounted to \$455,461, which was \$112,273 more than budgeted.

Expenditures for the current year, exclusive of transfers out, were originally budgeted in the amount of \$1,926,520. This amount was amended during the year to \$613,984. Actual expenditures amounted to \$569,447, which was \$44,537 less than the budgeted amount.

Town of Apple Valley
Management's Discussion and Analysis
June 30, 2015

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		
Net Capital Assets:						
Land and water rights	\$ 287,967	287,967	1,017,950	1,016,820	1,305,917	1,304,787
Buildings	170,497	133,610	-	-	170,497	133,610
Improvements other than buildings	155,966	-	-	-	155,966	-
Water distribution system	-	-	1,928,499	1,928,499	1,928,499	1,928,499
Machinery and equipment	499,316	394,194	36,352	36,352	535,668	430,546
Work in progress	127,980	41,766	2,498,563	30,000	2,626,544	71,766
	1,241,726	857,537	5,481,364	3,011,671	6,723,090	3,869,208
Total						
Less accumulated depreciation	(274,991)	(218,065)	(105,451)	(55,121)	(380,442)	(273,186)
Net capital assets	\$ 966,735	639,472	5,375,913	2,956,550	6,342,648	3,596,021

The total amount of capital assets, net of depreciation, of \$6,342,648 is an increase of \$2,746,626 from the previous year.

Governmental activities capital assets, net of depreciation, of \$966,735 represents an increase of \$327,263 from the previous year. Assets were added during the year in the total amount of \$384,189. Depreciation charged during the year on governmental type activity assets amounted to \$56,926.

Business-type activities capital assets, net of depreciation, of \$5,375,913 represents an increase of \$2,419,363 from the previous year. Assets were added during the year in the total amount of \$2,469,693. Depreciation charged during the year amounted to \$50,330.

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, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Town of Apple Valley's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2015 Vehicle Lease	\$ 63,776	-
Total governmental	63,776	-
Business-type activities:		
2004 F-250 Truck	13,796	18,000
2013 Water Revenue	2,455,000	2,540,000
2015 Water Bond 01	2,232,884	-
2015 Water Bond 02	5,000	-
Total business-type	4,706,680	2,558,000
Total outstanding debt	\$ 4,770,456	2,558,000

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 93,184	-	93,184
Accounts receivable, net	73,179	42,738	115,917
Due from other governments	69,633	-	69,633
Internal balances	3,561	(3,561)	-
Total current assets	239,556	39,178	278,734
Non-current assets:			
Restricted cash and cash equivalents	1,286	218,722	220,008
Capital assets:			
Not being depreciated	415,947	3,516,513	3,932,461
Net of accumulated depreciation	550,788	1,859,400	2,410,187
Total non-current assets	968,021	5,594,635	6,562,656
Total assets	\$ 1,207,577	5,633,813	6,841,390
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 88,497	178,837	267,333
Accrued liabilities	9,567	2,144	11,711
Customer security deposits	7,300	-	7,300
Capital lease, current portion	11,856	4,461	16,317
Revenue bonds, current	-	115,117	115,117
Total current liabilities	117,220	337,374	454,594
Non-current liabilities:			
Legal fees	63,625	-	63,625
Capital lease, long-term portion	51,919	9,336	61,255
Revenue bonds, long-term portion	-	4,577,767	4,577,767
Total non-current liabilities	115,544	4,587,102	4,702,646
Total liabilities	232,764	4,924,477	5,157,241
Deferred inflow of resources - property tax	57,104	-	57,104
Total liabilities and deferred inflows of resources	289,868	4,924,477	5,214,345
NET POSITION:			
Net investment in capital assets	902,959	669,233	1,572,192
Restricted:			
Utility construction	-	105,613	105,613
Public works/Streets	1,286	-	1,286
Unrestricted	13,464	(65,509)	(52,046)
Total net position	917,709	709,336	1,627,045
Total liabilities, deferred inflow of resources, and net position	\$ 1,207,577	5,633,813	6,841,390

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, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 162,878	47,805	-	-	(115,073)
Public safety	88,243	-	5,770	236	(82,237)
Public works/Streets	29,355	-	50,292	55,744	76,681
Sanitation	31,683	35,146	-	-	3,463
Culture and recreation	14,638	-	-	564	(14,074)
Interest expense	294	-	-	-	(294)
Total governmental activities	<u>327,091</u>	<u>82,951</u>	<u>56,062</u>	<u>56,544</u>	<u>(131,535)</u>
Business-type activities:					
Water	196,552	209,356	-	24,000	36,804
Total business-type activities	<u>196,552</u>	<u>209,356</u>	<u>-</u>	<u>24,000</u>	<u>36,804</u>
Total primary government	<u>\$ 523,643</u>	<u>292,307</u>	<u>56,062</u>	<u>80,544</u>	<u>(94,730)</u>

(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, 2015

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ (131,535)</u>	<u>36,804</u>	<u>(94,730)</u>
General revenues:			
Property taxes	87,959	-	87,959
Sales tax	74,532	-	74,532
Other taxes	14,342	-	14,342
Unrestricted investment earnings	11,212	843	12,055
Miscellaneous	<u>5,870</u>	<u>-</u>	<u>5,870</u>
Total general revenues	<u>193,916</u>	<u>843</u>	<u>194,758</u>
Change in net position	62,381	37,647	100,028
Net position - beginning	<u>855,328</u>	<u>671,689</u>	<u>1,527,017</u>
Net position - ending	<u>\$ 917,709</u>	<u>709,336</u>	<u>1,627,045</u>

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

Town of Apple Valley
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 93,184	-	93,184
Accounts receivable, net	73,179	-	73,179
Due from other governments	69,633	-	69,633
Due from other funds	3,561	-	3,561
Restricted cash and cash equivalents	1,286	-	1,286
TOTAL ASSETS	\$ 240,842	-	240,842
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 88,497	-	88,497
Accrued liabilities	9,567	-	9,567
Customer deposits	7,300	-	7,300
Total liabilities	105,364	-	105,364
Deferred inflows of resources - property tax and assessments	120,729	-	120,729
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	226,093	-	226,093
FUND BALANCES:			
Restricted	1,286	-	1,286
Assigned	2,964	-	2,964
Unassigned	10,500	-	10,500
TOTAL FUND BALANCES	14,749	-	14,749
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 240,842	-	240,842

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, 2015

	General Fund	Capital Projects	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$ 87,959	-	87,959
Sales	74,532	-	74,532
Other taxes	14,342	-	14,342
Licenses and permits	24,569	-	24,569
Intergovernmental revenues	109,062	-	109,062
Charges for services	52,599	-	52,599
Fines and forfeitures	5,783	-	5,783
Impact fees	3,544	-	3,544
Interest	11,212	-	11,212
Miscellaneous revenue	5,870	-	5,870
Total revenues	389,473	-	389,473
EXPENDITURES:			
General government	245,249	87,120	332,369
Public safety	153,232	-	153,232
Sanitation	31,683	-	31,683
Public works/Streets	110,559	-	110,559
Culture and recreation	26,218	-	26,218
Debt service:			
Principal	2,212	-	2,212
Interest	294	-	294
Total expenditures	569,447	87,120	656,567
Excess (Deficiency) of Revenues over (Under) Expenditures	(179,975)	(87,120)	(267,095)
Other Financing Sources and (Uses):			
Proceeds of long-term debt	65,988	-	65,988
Transfer in	-	87,120	87,120
Transfer out	(87,120)	-	(87,120)
Total other financing sources and (uses)	(21,132)	87,120	65,988
Net Change in Fund Balances	(201,107)	-	(201,107)
Fund balances - beginning of year	215,856	-	215,856
Fund balances - end of year	\$ 14,749	-	14,749

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, 2015

Total Fund Balances for Governmental Funds	<u>\$ 14,749</u>
<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	1,241,726
Less accumulated depreciation	<u>(274,991)</u>
Net capital assets	<u>966,735</u>
<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	(63,625)
Vehicle purchase	<u>(63,776)</u>
Total long-term liabilities	<u>(127,400)</u>
<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>	
Deferred inflows of resources	<u>63,625</u>
Total Net Position of Governmental Activities	<u><u>\$ 917,709</u></u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ (201,107)**

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	384,189
Depreciation expense	<u>(56,926)</u>
Net	<u>327,263</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	<u>4,745</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Debt proceeds	<u>(65,988)</u>
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The net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources are not reported in the fund statements until available.

Change in legal fees	<u>(2,532)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 62,381</u></u>
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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, 2015

	Utility Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable, net	42,738
Total current assets	42,738
Non-current assets:	
Restricted cash and cash equivalents	218,722
Capital assets:	
Not being depreciated	3,516,513
Net of accumulated depreciation	1,859,400
Total non-current assets	5,594,635
Total assets	\$ 5,637,374
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 178,837
Accrued liabilities	2,144
Due to other funds	3,561
Capital lease, current portion	4,461
Revenue bonds, current portion	115,117
Total current liabilities	340,935
Non-current liabilities:	
Capital lease, long-term	9,336
Revenue bonds, long-term	4,577,767
Total non-current liabilities	4,587,102
Total liabilities	4,928,037
NET POSITION:	
Net investment in capital assets	669,233
Restricted for construction	105,613
Unrestricted	(65,509)
Total net position	709,336
Total liabilities and net position	\$ 5,637,374

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, 2015

	Utility Fund
Operating revenue:	
Charges for sales and service	\$ 189,156
Connection fees	6,000
Other operating income	14,200
Total operating revenue	209,356
Operating expenses:	
Personnel services	47,822
Utilities	11,171
Repair & maintenance	22,923
Professional services	3,825
Other supplies & expenses	11,968
Insurance expense	5,152
Depreciation expense	50,330
Total operating expense	153,192
Net operating income (loss)	56,164
Non-operating income (expense):	
Impact fees	24,000
Interest income	843
Legal fees	(5,863)
Interest expense	(37,497)
Total non-operating income (expense)	(18,517)
Change in net position	37,647
Net position, beginning	671,689
Net position, ending	\$ 709,336

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, 2015

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 200,114
Cash paid to suppliers	123,552
Cash paid to employees	(48,965)
Net cash provided (used) in operating activities	274,701
Cash flows from noncapital financing activities:	
Interfund activity	3,818
Net cash provided (used) in noncapital financing activities	3,818
Cash flows from capital and related financing activities:	
Cash from impact fees	24,000
Cash from bonds issued	2,237,884
Cash payments for legal fees	(5,863)
Cash payments for capital assets	(2,469,693)
Cash payments for long-term debt	(89,204)
Cash payments for long-term debt interest	(681)
Net cash provided (used) in capital and related financing activities	(303,556)
Cash flows from investing activities:	
Cash received from interest earned	843
Net cash provided (used) in investing activities	843
Net increase (decrease) in cash	(24,195)
Cash balance, beginning	242,917
Cash balance, ending	\$ 218,722
Cash reported on the Statement of Net Position:	
Cash and cash equivalents	\$ -
Non-current restricted cash	218,722
Total cash and cash equivalents	\$ 218,722

(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, 2015

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

	Utility Fund
Net operating income (loss)	\$ 56,164
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	50,330
Changes in assets and liabilities:	
(Increase) decrease in receivables	(9,242)
Increase (decrease) in payables	177,449
Net cash provided (used) in operating activities	<u><u>\$ 274,701</u></u>

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

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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, 2015

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:

Assets	Years
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, 2015

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 assets. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. 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, 2015

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, 2015

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2015 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 100
Demand deposits	222,083
Investments - PTIF	91,009
Total cash	\$ 313,192

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

Cash and cash equivalents (current)	\$ 93,184
Restricted cash and cash equivalents (non-current)	220,008
Total cash and cash equivalents	\$ 313,192

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 65.04 as of June 30, 2015. 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, 2015

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	\$ 63,625	-	63,625
Sanitation	9,554	-	9,554
Water	-	42,738	42,738
Net receivables	<u>\$ 73,179</u>	<u>42,738</u>	<u>115,917</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 287,967	-	-	287,967
Construction in progress	41,766	86,214	-	127,980
Total capital assets, not being depreciated	<u>329,733</u>	<u>86,214</u>	<u>-</u>	<u>415,947</u>
Capital assets, being depreciated:				
Buildings	133,610	36,887	-	170,497
Improvements other than buildings	-	155,966	-	155,966
Machinery and equipment	394,194	105,122	-	499,316
Total capital assets, being depreciated	<u>527,804</u>	<u>297,975</u>	<u>-</u>	<u>825,779</u>
Less accumulated depreciation for:				
Buildings	32,851	4,510	-	37,361
Improvements other than buildings	-	588	-	588
Machinery and equipment	185,214	51,828	-	237,042
Total accumulated depreciation	<u>218,065</u>	<u>56,926</u>	<u>-</u>	<u>274,991</u>
Total capital assets being depreciated, net	<u>309,738</u>	<u>241,049</u>	<u>-</u>	<u>550,788</u>
Governmental activities capital assets, net	<u>\$ 639,472</u>	<u>327,263</u>	<u>-</u>	<u>966,735</u>

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

Governmental activities:	
General government	\$ 17,573
Public safety	35,765
Public works/Streets	<u>3,235</u>
Total	<u>\$ 56,926</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	\$ 1,016,820	1,130	-	1,017,950
Construction in progress	30,000	2,468,563	-	2,498,563
Total capital assets, not being depreciated	<u>1,046,820</u>	<u>2,469,693</u>	<u>-</u>	<u>3,516,513</u>
Capital assets, being depreciated:				
Distribution and collection systems	1,928,499	-	-	1,928,499
Equipment	36,352	-	-	36,352
Total capital assets, being depreciated	<u>1,964,851</u>	<u>-</u>	<u>-</u>	<u>1,964,851</u>
Less accumulated depreciation for:				
Distribution and collection systems	54,004	48,213	-	102,216
Equipment	1,117	2,118	-	3,235
Total accumulated depreciation	<u>55,121</u>	<u>50,330</u>	<u>-</u>	<u>105,451</u>
Total capital assets being depreciated, net	<u>1,909,730</u>	<u>(50,330)</u>	<u>-</u>	<u>1,859,400</u>
Business-type activities capital assets, net	<u>\$ 2,956,550</u>	<u>2,419,363</u>	<u>-</u>	<u>5,375,913</u>

3-D. Long-term debt

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

	<u>Original Principal</u>	<u>% Rate</u>	<u>6/30/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2015</u>	<u>Due Within One Year</u>
Governmental activities:							
2015 Vehicles Purchase Matures 4/29/2020	\$ 65,988	5.45	-	65,988	2,212	63,776	11,856
Total governmental activity long-term liabilities			<u>-</u>	<u>65,988</u>	<u>2,212</u>	<u>63,776</u>	<u>11,856</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,856	3,183	15,039
2017	12,519	2,520	15,039
2018	13,219	1,820	15,039
2019	13,957	1,082	15,039
2020	12,224	308	12,532
Total	<u>\$63,776</u>	<u>8,912</u>	<u>72,688</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

	Original Principal	%	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Business-type activities:							
2015 Water Bond 02 Matures 1/15/2016	\$ 5,000	4.00	-	5,000	-	5,000	5,000
2004 F-250 Truck Lease Matures 6/25/2018	18,000	4.00	18,000	-	4,204	13,796	4,461
2012 Water Project Matures 1/1/2044	2,540,000	-	2,540,000	-	85,000	2,455,000	85,000
2015 Water Bond 01 Matures 6/15/2050	2,232,884	3.50	-	2,232,884	-	2,232,884	25,117
Total business-type activity long-term liabilities				<u>2,237,884</u>	<u>89,204</u>	<u>4,706,680</u>	<u>119,578</u>

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

	Principal	Interest	Total
2016	\$ 119,578	113,488	233,066
2017	124,173	77,010	201,184
2018	125,452	75,593	201,045
2019	122,031	74,221	196,252
2020	123,348	72,904	196,252
2021 - 2025	638,193	343,067	981,260
2026 - 2030	675,901	302,359	978,260
2031 - 2035	725,382	253,878	979,260
2036 - 2040	782,119	196,141	978,260
2041 - 2045	766,881	127,379	894,260
2046 - 2050	503,622	45,487	549,109
Total	<u>\$4,706,680</u>	<u>1,681,527</u>	<u>6,388,207</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-E. Capital lease

The Town acquired three trucks through capital lease. Amortization of the trucks under capital lease are included in depreciation expense. The cost of the trucks at acquisition amounted to \$93,943. Depreciation accumulated since acquisition amounts to \$1,142, leaving a carrying value as of June 30, 2015 of \$92,801.

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

	Principal	Interest	Total
2016	\$ 16,317	3,653	19,970
2017	17,162	2,808	19,970
2018	17,912	1,920	19,832
2019	13,957	1,082	15,039
2020	12,224	308	12,532
Total	\$ 77,572	9,771	87,343

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 \$2,814 for the year ended June 30, 2015. The future minimum lease payments for the lease are as follows:

Year Ending <u>June 30,</u>	
2016	\$ 2,864
2017	2,864
2018	1,432
	\$ 7,160

3-G. Interfund receivables and payables

As of June 30, 2015, there was an outstanding balance due to the Genera Fund from the Big Plains Water & Sewer Special Service District Fund of \$3,561.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-H. Restricted net position and assigned fund balances

At June 30, 2015, the Town's restricted net position and assigned fund balances are as follows:

General Fund:	
Restricted:	
Impact fees	\$ 1,286
Assigned:	
Scholarship	2,964
Unassigned	<u>10,500</u>
Total fund balance	<u><u>\$ 14,749</u></u>
Utility Fund:	
Net investment in capital assets	669,233
Restricted for:	
Impact fees	36,000
Bond reserve	42,500
Reserve fund	17,000
Capital facility replacement	10,113
Unrestricted	<u>(65,509)</u>
Total net position	<u><u>\$ 709,336</u></u>

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, 2015

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, 2015 the Town is carrying a non-current payable balance of \$63,625 for outstanding legal fees and a related receivable of \$63,625 for unpaid assessments. For the year ended June 30, 2015 \$2,532 in assessments were received and a corresponding payment of \$2,532 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, 2015

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, 2015, spending within all departments was within budgeted appropriations.

Town of Apple Valley
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGED IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**
(Unaudited)
 For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 190,000	190,010	176,833	(13,177)
Licenses and permits	13,900	21,255	24,569	3,314
Intergovernmental revenues	1,622,650	55,293	109,062	53,769
Charges for services	71,550	59,291	52,599	(6,692)
Fines and forfeitures	4,500	5,025	5,783	758
Impact fees	17,720	3,544	3,544	-
Interest	2,000	1,700	11,212	9,512
Miscellaneous revenue	4,200	7,069	5,870	(1,199)
Total revenues	1,926,520	343,187	389,473	46,285
Expenditures				
General government	1,710,480	248,923	245,249	3,674
Public safety	77,405	161,487	153,232	8,255
Sanitation	32,550	31,800	31,683	117
Public works/Streets	86,000	140,368	110,559	29,809
Culture and recreation	10,825	28,900	26,218	2,682
Debt Service:				
Principal	8,000	2,212	2,212	-
Interest	1,260	294	294	-
Total expenditures	1,926,520	613,984	569,447	44,537
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(270,797)	(179,975)	90,822
Other Financing Sources and (Uses)				
Proceeds of long-term debt	-	-	65,988	65,988
Transfer out	-	(87,120)	(87,120)	-
Total Other Financing Sources and (Uses)	-	(87,120)	(21,132)	65,988
Net Change in Fund Balances	-	(357,917)	(201,107)	156,810
Fund Balances - beginning of year	215,856	215,856	215,856	-
Fund Balances - end of year	\$ 215,856	(142,061)	14,749	156,810

OTHER SUPPLEMENTARY INFORMATION

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Town of Apple Valley
OTHER SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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, 2015. The following is a summary of the relevant coverages at June 30, 2015:

<u>Policy #17220-GL2012:</u>	<u>Amount of Coverage</u>	<u>Expires</u>
General Liability	\$ 2,000,000	9/30/2016
Auto Bodily Injury	2,000,000	9/30/2016
Auto Property Damage	2,000,000	9/30/2016
Personal Injury Protection	As State Requires	9/30/2016
Underinsured Motorist	80,000	9/30/2016
Uninsured Motorist	80,000	9/30/2016
Pollution Exclusion Endorsement	50,000	9/30/2016
No Fault Sewer Cleanup	5,000	9/30/2016

Water System Customers and Connections

Customers	480	.
Connections	321	.
Total revenues billed	\$ 209,356	.

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

Bond Fund	\$ 42,500	.
Reserve Fund	\$ 17,000	.
Capital Facilities Replacement Fund	\$ 10,113	.

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, 2015, 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 29, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statement 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 29, 2015

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

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

Report on Compliance with General State Compliance Requirements and for Each Major State Program

We have audited the Town of Apple Valley, Utah's (Town) 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 or each of its major state programs for the year ended June, 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

- Budgetary Compliance
- Fund Balance
- Enterprise Fund Transfers, Reimbursements, Loans and Services
- Restricted Taxes
- Open and Public Meetings Act

The Town did not have any state funding classified as a major program during the year ended June 30, 2015.

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's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Town 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 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, 2015.

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 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
December 29, 2015

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TOWN OF APPLE VALLEY, UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed through the Department of Agriculture Rural Development Water and Waste Disposal Systems for Rural Communities	10.760		\$ 2,414,207
<u>U.S. Department of Homeland Security:</u>			
Emergency Management Performance Grants	97.042		<u>5,000</u>
Total expenditure of federal awards:			<u>\$ 2,419,207</u>

* Major program

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**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

The Honorable Mayor and
Town Council
Town of Apple Valley, Utah

Report on Compliance for Each Major Federal Program

We have audited Apple Valley, Utah's (Town) 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 Apple Valley, Utah's major federal programs for the year ended June 30, 2015. The Town'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 major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town'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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, 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, 2015.

Report on Internal Control over Compliance

Management of the Town 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 of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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 over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC
St. George, Utah
December 29, 2015

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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>
10.760	Water and Waste Disposal Systems for Rural Communities

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, 2015

Section II - Financial Statement Findings

Material Weaknesses:

No material weaknesses reported in fiscal year 2015

Significant Deficiencies:

No significant deficiencies reported in fiscal year 2015.

Compliance and Other Matters:

Compliance:

2014-001 Restricted Cash - reworded

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. As of June 30, 2015 we noted the District had only \$218,722 in cash which was under the required restricted cash balance of \$242,917.

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:

No other matters reported in fiscal year 2015.

TOWN OF APPLE VALLEY, UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

Material Weaknesses and Significant Deficiencies:

No significant matters were noted.

Compliance and Other Matters:

No significant matters were noted.

Section IV - Summary Schedule of Prior Audit Findings

No prior audit findings.

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Mayor Richard Moser. Council Members: Trevor Black, Ron Brown, Robert Campbell, and Judith Davis

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

January 1, 2016

HintonBurdick, PLLC

As a result of the audit, it was found that the Big Plains Water and Sewer Special Service District was noncompliant with regard to the amount of restricted cash on hand as required by bond and grant agreements. The District is a relatively new entity, which began billing for water service in May of 2013. The District purchased water system assets that were in dire need of repairs and replacement to bring the system up to state standards. As a result, the District was compelled to seek funding from the USDA. The District has service rates in place that should be sufficient to meet future cash reserve requirements. Since June 30, 2015, the District has accumulated enough funds that it is now in compliance with all cash requirements placed on the District by said bond and grant agreements. Pending any costly repairs or water system issues that will need to be addressed, the District should be able to continue to be in compliance with these requirements in the future.

Sincerely,

Nathan C. Bronemann

Town Clerk/Recorder

Office Hours: Mon-Thurs 9am-5pm

1777 N. Meadowlark Dr., Apple Valley, UT 84737

Office: (435) 877-1190, Fax: (435) 877-1192