

Town of Apple Valley
Washington County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016

Town of Apple Valley
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 June 30, 2016

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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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, 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 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Town of Apple Valley
Management's Discussion and Analysis
June 30, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- *Total net position for the Town as a whole increased by \$727,223.
- *Total unrestricted net position for the Town as a whole increased by \$205,888.
- *Total net position for governmental activities increased by \$819,048.
- *Total net position for business-type activities decreased by \$91,825.

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, 2016

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, 2016

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	\$ 1,945,144	240,842	220,929	257,900	2,166,073	498,742
Net capital assets	1,322,123	966,735	5,422,345	5,375,913	6,744,468	6,342,648
Deferred outflows of resources	27,252	-	-	-	27,252	-
Total assets and deferred outflows	<u>3,294,519</u>	<u>1,207,577</u>	<u>5,643,273</u>	<u>5,633,813</u>	<u>8,937,793</u>	<u>6,841,390</u>
Other liabilities	129,743	168,989	5,625	217,796	135,368	386,785
Long-term debt outstanding	1,369,919	63,776	5,020,137	4,706,680	6,390,057	4,770,456
Deferred inflows of resources	58,100	57,104	-	-	58,100	57,104
Total liabilities and deferred inflows	<u>1,557,762</u>	<u>289,868</u>	<u>5,025,762</u>	<u>4,924,477</u>	<u>6,583,525</u>	<u>5,214,345</u>
Net position:						
Net investment in capital assets	853,773	902,959	402,207	669,233	1,255,980	1,572,192
Restricted	820,182	1,286	124,263	105,613	944,445	106,899
Unrestricted	62,802	13,464	91,041	(65,509)	153,843	(52,046)
Total net position	<u>\$ 1,736,757</u>	<u>917,709</u>	<u>617,511</u>	<u>709,336</u>	<u>2,354,268</u>	<u>1,627,045</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 \$2,354,268, an increase of \$727,223 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 \$153,843, which represents an increase of \$205,888 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, 2016

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	\$ 154,624	82,951	208,048	209,356	362,672	292,307
Operating grants and contributions	55,851	56,062	-	-	55,851	56,062
Capital grants and contributions	853,954	56,544	36,000	24,000	889,954	80,544
General revenues:						
Property taxes	91,991	87,959	-	-	91,991	87,959
Sales tax	79,435	74,532	-	-	79,435	74,532
Other taxes	20,908	14,342	-	-	20,908	14,342
Unrestricted investment earnings	25,122	11,212	558	843	25,681	12,055
Other revenues	3,189	5,870	-	-	3,189	5,870
Total revenues	<u>1,285,073</u>	<u>389,473</u>	<u>244,607</u>	<u>234,199</u>	<u>1,529,680</u>	<u>623,671</u>
Expenses:						
General government	210,770	162,878	-	-	210,770	162,878
Public safety	107,113	88,243	-	-	107,113	88,243
Public works/Streets	102,086	29,355	-	-	102,086	29,355
Sanitation	32,110	31,683	-	-	32,110	31,683
Culture and recreation	10,763	14,638	-	-	10,763	14,638
Interest on long-term debt	3,183	294	92,791	37,497	95,973	37,791
Big Plains Water & Sewer SSD	-	-	243,641	159,055	243,641	159,055
Total expenses	<u>466,025</u>	<u>327,091</u>	<u>336,432</u>	<u>196,552</u>	<u>802,457</u>	<u>523,643</u>
Change in net position	<u>\$ 819,048</u>	<u>62,381</u>	<u>(91,825)</u>	<u>37,647</u>	<u>727,223</u>	<u>100,028</u>

For the Town as a whole, total revenues increased by \$906,009 compared to the previous year, while total expenses increased by \$278,814. The total net change of \$727,223 is, in private sector terms, the net income for the year which is \$627,195 more than the previous year's net change (net income).

Governmental activities revenues of \$1,285,073 is \$895,601 more than the previous year. This is primarily due to an increase in capital grants. Governmental activities expenses of \$466,025 is \$138,933 more than the previous year. While culture and recreation expenses decreased during the year, all other department expenses increased.

Business-type activities revenues of \$244,607 is \$10,408 more than the previous year. This is primarily due to an increase in impact fee revenues. Business-type activities expenses of \$336,432 is \$139,880 more than the previous year. This increase is primarily due to increases in depreciation expense, interest expense and personnel expenses.

Town of Apple Valley
Management's Discussion and Analysis
June 30, 2016

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 \$69,330 reflects an increase of \$54,580 from the previous year. Total revenues, including proceeds from long-term debt, increased by \$1,996,905. Proceeds from long-term debt increased by \$1,252,012. Tax revenues, including property taxes and sales taxes increased by \$15,501. Intergovernmental revenue increased by \$638,949. Licenses and permits revenue increased by \$8,585. Charges for services and fines and forfeitures increased by \$63,088. All other revenues increased by \$18,772.

Total expenditures decreased by \$168,661. Current expenditure changes by department were as follows: general government decreased by \$54,208, public safety decreased by \$93,944, sanitation increased by \$427, streets and highways decreased by \$13,245, and culture and recreation decreased by \$20,223. Debt service expenditures increased by \$12,533.

Fund balances restricted for impact fees amounts to \$12,373. The assigned fund balance amounts to \$2,964, leaving an unassigned fund balance of \$53,993.

Capital Projects Fund

Total fund balance of \$1,709,378 reflects an increase of \$1,709,378. A transfer in from the general fund was made during the year in the amount of \$1,997,000 and grant revenues amounted to \$150,707. Capital expenditures were \$438,329 during the year.

Big Plains Water & Sewer Special Service District Fund

Net operating loss for the year was \$34,211, compared to the previous year net operating income of \$56,164. The change in net position (net loss) was \$91,825. Net investment in capital assets is \$402,207 and restricted net position amounts to \$124,263, leaving an unrestricted net position of \$91,041.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year were originally budgeted in the amount of \$2,663,286. This amount was amended during the year to \$2,447,083. Actual revenues for the current year amounted to \$2,452,366, which was \$5,284 more than budgeted.

Expenditures for the current year, exclusive of transfers out, were originally budgeted in the amount of \$657,103. This amount was amended during the year to \$458,780. Actual expenditures amounted to \$400,786, which was \$57,994 less than the budgeted amount.

Town of Apple Valley
Management's Discussion and Analysis
June 30, 2016

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	\$ 439,556	287,967	1,017,990	1,017,950	1,457,546	1,305,917
Buildings	170,497	170,497	-	-	170,497	170,497
Improvements other than buildings	155,966	155,966	-	-	155,966	155,966
Water distribution system	-	-	4,585,547	1,928,499	4,585,547	1,928,499
Machinery and equipment	500,627	499,316	36,352	36,352	536,979	535,668
Work in progress	415,602	127,980	-	2,498,563	415,602	2,626,544
 Total	 1,682,248	 1,241,726	 5,639,889	 5,481,364	 7,322,136	 6,723,090
 Less accumulated depreciation	 (360,124)	 (274,991)	 (217,544)	 (105,451)	 (577,668)	 (380,442)
 Net capital assets	 <u>\$ 1,322,123</u>	 <u>966,735</u>	 <u>5,422,345</u>	 <u>5,375,913</u>	 <u>6,744,468</u>	 <u>6,342,648</u>

The total amount of capital assets, net of depreciation, of \$6,744,468 is an increase of \$401,820 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,322,123 represents an increase of \$355,388 from the previous year. Assets were added during the year in the total amount of \$440,522. Depreciation charged during the year on governmental type activity assets amounted to \$85,133.

Business-type activities capital assets, net of depreciation, of \$5,422,345 represents an increase of \$46,432 from the previous year. Assets were added during the year in the total amount of \$158,525. Depreciation charged during the year amounted to \$112,093.

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, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Town of Apple Valley's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2015 Vehicle Lease	\$ 51,919	63,776
2015 Gateway Bond	1,318,000	-
Total governmental	1,369,919	63,776
Business-type activities:		
2004 F-250 Truck	9,405	13,796
2013 Water Revenue	2,370,000	2,455,000
2015 Water Bond 01	2,343,186	2,232,884
2015 Water Bond 02	297,546	5,000
Total business-type	5,020,137	4,706,680
Total outstanding debt	\$ 6,390,057	4,770,456

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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 58,942	35,190	94,132
Accounts receivable, net	89,384	67,446	156,830
Due from other governments	57,000	-	57,000
Internal balances	5,970	(5,970)	-
Total current assets	211,297	96,666	307,962
Non-current assets:			
Restricted cash and cash equivalents	1,733,838	124,263	1,858,101
Capital assets:			
Not being depreciated	855,158	1,017,990	1,873,148
Net of accumulated depreciation	466,965	4,404,355	4,871,320
Net pension assets	9	-	9
Total non-current assets	3,055,970	5,546,608	8,602,578
Total assets	3,267,267	5,643,273	8,910,541
Deferred outflows of resources - pensions	27,252	-	27,252
Total assets and deferred outflows of resources	\$ 3,294,519	5,643,273	8,937,793
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 22,062	1,712	23,773
Accrued liabilities	14,431	-	14,431
Customer security deposits	12,100	-	12,100
Capital lease, current portion	12,529	4,640	17,169
Revenue bonds, current	-	118,102	118,102
Total current liabilities	61,121	128,367	189,488
Non-current liabilities:			
Legal fees	62,026	-	62,026
Capital lease, long-term portion	39,390	4,765	44,155
Revenue bonds, long-term portion	1,318,000	4,892,631	6,210,631
Net pension liability	19,125	-	19,125
Total non-current liabilities	1,438,541	4,897,396	6,335,937
Total liabilities	1,499,662	5,025,762	6,525,425
Deferred inflows of resources - property tax	55,809	-	55,809
Deferred inflows of resources - pensions	2,291	-	2,291
Total liabilities and deferred inflows of resources	1,557,762	5,025,762	6,583,525
NET POSITION:			
Net investment in capital assets	853,773	402,207	1,255,980
Restricted:			
Utility construction	-	124,263	124,263
Public works/Streets	820,182	-	820,182
Unrestricted	62,802	91,041	153,843
Total net position	1,736,757	617,511	2,354,268
Total liabilities, deferred inflow of resources, and net position	\$ 3,294,519	5,643,273	8,937,793

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, 2016

<u>FUNCTIONS/PROGRAMS:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
Primary government:					
Governmental activities:					
General government	\$ 210,770	118,193	-	-	(92,577)
Public safety	107,113	-	5,459	3,087	(98,568)
Public works/Streets	102,086	-	50,392	849,598	797,904
Sanitation	32,110	36,431	-	-	4,320
Culture and recreation	10,763	-	-	1,269	(9,494)
Interest expense	3,183	-	-	-	(3,183)
Total governmental activities	<u>466,025</u>	<u>154,624</u>	<u>55,851</u>	<u>853,954</u>	<u>598,403</u>
Business-type activities:					
Water	336,432	208,048	-	36,000	(92,384)
Total business-type activities	<u>336,432</u>	<u>208,048</u>	<u>-</u>	<u>36,000</u>	<u>(92,384)</u>
Total primary government	<u><u>\$ 802,457</u></u>	<u><u>362,672</u></u>	<u><u>55,851</u></u>	<u><u>889,954</u></u>	<u><u>506,020</u></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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ 598,403</u>	<u>(92,384)</u>	<u>506,020</u>
General revenues:			
Property taxes	91,991	-	91,991
Sales tax	79,435	-	79,435
Other taxes	20,908	-	20,908
Unrestricted investment earnings	25,122	558	25,681
Miscellaneous	<u>3,189</u>	<u>-</u>	<u>3,189</u>
Total general revenues	<u>220,645</u>	<u>558</u>	<u>221,203</u>
Change in net position	819,048	(91,825)	727,223
Net position - beginning	<u>917,709</u>	<u>709,336</u>	<u>1,627,045</u>
Net position - ending	<u>\$ 1,736,757</u>	<u>617,511</u>	<u>2,354,268</u>

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

Town of Apple Valley
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 58,942	-	58,942
Accounts receivable, net	89,384	-	89,384
Due from other governments	57,000	-	57,000
Due from other funds	5,970	-	5,970
Restricted cash and cash equivalents	24,460	1,709,378	1,733,838
	\$ 235,757	1,709,378	1,945,135
TOTAL ASSETS			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 22,062	-	22,062
Accrued liabilities	14,431	-	14,431
Customer deposits	12,100	-	12,100
Total liabilities	48,592	-	48,592
Deferred inflows of resources:			
Property taxes	55,809	-	55,809
Assessments	62,026	-	62,026
Total deferred inflows of resources	117,835	-	117,835
	166,427	-	166,427
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES:			
Restricted	12,373	1,709,378	1,721,751
Assigned	2,964	-	2,964
Unassigned	53,993	-	53,993
	69,330	1,709,378	1,778,708
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	\$ 235,757	1,709,378	1,945,135

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, 2016

	General Fund	Capital Projects	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$ 91,991	-	91,991
Sales	79,435	-	79,435
Other taxes	20,908	-	20,908
Licenses and permits	33,154	-	33,154
Intergovernmental revenues	748,011	150,707	898,718
Charges for services	115,257	-	115,257
Fines and forfeitures	6,213	-	6,213
Impact fees	11,087	-	11,087
Interest	25,122	-	25,122
Miscellaneous revenue	3,189	-	3,189
Total revenues	1,134,366	150,707	1,285,073
EXPENDITURES:			
General government	191,041	-	191,041
Public safety	59,288	-	59,288
Sanitation	32,110	-	32,110
Public works/Streets	97,314	438,329	535,642
Culture and recreation	5,995	-	5,995
Debt service:			
Principal	11,856	-	11,856
Interest	3,183	-	3,183
Total expenditures	400,786	438,329	839,114
Excess (Deficiency) of Revenues over (Under) Expenditures	733,580	(287,622)	445,959
Other Financing Sources and (Uses):			
Proceeds of long-term debt	1,318,000	-	1,318,000
Transfer in	-	1,997,000	1,997,000
Transfer out	(1,997,000)	-	(1,997,000)
Total other financing sources and (uses)	(679,000)	1,997,000	1,318,000
Net Change in Fund Balances	54,580	1,709,378	1,763,959
Fund balances - beginning of year	14,749	-	14,749
Fund balances - end of year	\$ 69,330	1,709,378	1,778,708

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, 2016

Total Fund Balances for Governmental Funds	<u>\$ 1,778,708</u>
Total net position reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,682,248
Less accumulated depreciation	<u>(360,124)</u>
Net capital assets	<u>1,322,123</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds.	
	<u>9</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements.	
	<u>27,252</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Legal fees	(62,026)
Vehicle purchase	(51,919)
Gateway loan	(1,318,000)
Net pension liability	<u>(19,125)</u>
Total long-term liabilities	<u>(1,451,070)</u>
Deferred inflows of resources related to pensions, for funds other than enterprise funds, are recorded in the government-wide statements, but not in the fund statements.	
	<u>(2,291)</u>
Certain revenue is considered deferred in governmental funds, but not in the statement of net position because it qualifies for recognition under the economic resources measurement focus.	
Deferred inflows of resources - special assessments	<u>62,026</u>
Total Net Position of Governmental Activities	<u><u>\$ 1,736,757</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, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ 1,763,959**

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	440,522
Depreciation expense	<u>(85,133)</u>
Net	<u>355,388</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. **5,845**

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 **11,856**

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Debt proceeds **(1,318,000)**

Change in Net Position of Governmental Activities **\$ 819,048**

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, 2016

	<u>Utility Fund</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 35,190
Accounts receivable, net	<u>67,446</u>
Total current assets	<u>102,636</u>
Non-current assets:	
Restricted cash and cash equivalents	124,263
Capital assets:	
Not being depreciated	1,017,990
Net of accumulated depreciation	<u>4,404,355</u>
Total non-current assets	<u>5,546,608</u>
Total assets	<u><u>\$ 5,649,243</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 1,712
Accrued liabilities	-
Due to other funds	5,970
Capital lease, current portion	4,640
Revenue bonds, current portion	<u>118,102</u>
Total current liabilities	<u>134,337</u>
Non-current liabilities:	
Capital lease, long-term	4,765
Revenue bonds, long-term	<u>4,892,631</u>
Total non-current liabilities	<u>4,897,396</u>
Total liabilities	<u><u>5,031,732</u></u>
NET POSITION:	
Net investment in capital assets	402,207
Restricted for construction	124,263
Unrestricted	<u>91,041</u>
Total net position	<u><u>617,511</u></u>
Total liabilities and net position	<u><u>\$ 5,649,243</u></u>

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, 2016

	Utility Fund
Operating revenue:	
Charges for sales and service	\$ 187,859
Connection fees	12,190
Other operating income	8,000
Total operating revenue	208,048
Operating expenses:	
Personnel services	63,600
Utilities	14,907
Repair & maintenance	31,005
Professional services	8,150
Other supplies & expenses	7,723
Insurance expense	4,782
Depreciation expense	112,093
Total operating expense	242,259
Net operating income (loss)	(34,211)
Non-operating income (expense):	
Impact fees	36,000
Interest income	558
Legal fees	(1,382)
Interest expense	(92,791)
Total non-operating income (expense)	(57,615)
Change in net position	(91,825)
Net position, beginning	709,336
Net position, ending	\$ 617,511

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, 2016

	Utility Fund
Cash flows from operating activities:	
Cash received from customers - service	\$ 183,341
Cash paid to suppliers	(243,691)
Cash paid for personnel services	(65,744)
Net cash provided (used) in operating activities	(126,094)
Cash flows from noncapital financing activities:	
Interfund activity	2,409
Net cash provided (used) in noncapital financing activities	2,409
Cash flows from capital and related financing activities:	
Cash from impact fees	36,000
Cash from bonds issued	426,916
Cash payments for legal fees	(1,382)
Cash payments for capital assets	(158,525)
Cash payments for long-term debt	(113,459)
Cash payments for long-term debt interest	(125,694)
Net cash provided (used) in capital and related financing activities	63,856
Cash flows from investing activities:	
Cash received from interest earned	558
Net cash provided (used) in investing activities	558
Net increase (decrease) in cash	(59,270)
Cash balance, beginning	218,722
Cash balance, ending	\$ 159,453
Cash reported on the Statement of Net Position:	
Cash and cash equivalents	\$ 35,190
Non-current restricted cash	124,263
Total cash and cash equivalents	\$ 159,453

(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, 2016

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

	Utility Fund
Net operating income (loss)	\$ (34,211)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	112,093
Changes in assets and liabilities:	
(Increase) decrease in receivables	(24,707)
Increase (decrease) in payables	(179,269)
Net cash provided (used) in operating activities	<u><u>\$ (126,094)</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, 2016

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, 2016

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.

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.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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. For governmental activities, compensated absences and net position liabilities are generally liquidated through the General Fund. 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.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

1-E-9. *Pensions*

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

1-E-10. *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-11. *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-12. *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, 2016

1-E-13. 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, 2016

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2016 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 100
Demand deposits	177,086
Investments - PTIF	1,775,048
Total cash	\$ 1,952,233

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

Cash and cash equivalents (current)	\$ 94,132
Restricted cash and cash equivalents (non-current)	1,858,101
Total cash and cash equivalents	\$ 1,952,233

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 53.38 as of June 30, 2016. 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, 2016

3-A. Deposits and investments (continued)

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows: Level 1--Quoted prices for identical investments in active markets; Level 2--Observable inputs other than quoted market prices; and, Level 3--Unobservable inputs. At June 30, 2016, the Town's investments in PTIF had an approximate fair value of \$1,775,048. The PTIF uses a Level 2 fair value measurement.

Deposit and Investment Risk

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

Interest rate risk

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

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. 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	\$ 62,026	-	62,026
Sanitation	27,358	-	27,358
Water	-	67,446	67,446
Net receivables	\$ 89,384	67,446	156,830

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 287,967	151,589	-	439,556
Construction in progress	127,980	287,622	-	415,602
Total capital assets, not being depreciated	415,947	439,211	-	855,158
Capital assets, being depreciated:				
Buildings	170,497	-	-	170,497
Improvements other than buildings	155,966	-	-	155,966
Machinery and equipment	499,316	1,311	-	500,627
Total capital assets, being depreciated	825,779	1,311	-	827,089
Less accumulated depreciation for:				
Buildings	37,361	6,867	-	44,228
Improvements other than buildings	588	10,398	-	10,985
Machinery and equipment	237,042	67,869	-	304,911
Total accumulated depreciation	274,991	85,133	-	360,124
Total capital assets being depreciated, net	550,788	(83,823)	-	466,965
Governmental activities capital assets, net	\$ 966,735	355,388	-	1,322,123

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

Governmental activities:	
General government	\$ 22,829
Public safety	48,906
Public works/Streets	8,629
Total	\$ 85,133

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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	\$ 1,017,950	40	-	1,017,990
Construction in progress	<u>2,498,563</u>	<u>158,485</u>	<u>2,657,048</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,516,513</u>	<u>158,525</u>	<u>2,657,048</u>	<u>1,017,990</u>
Capital assets, being depreciated:				
Distribution and collection systems	1,928,499	2,657,048	-	4,585,547
Equipment	<u>36,352</u>	<u>-</u>	<u>-</u>	<u>36,352</u>
Total capital assets, being depreciated	<u>1,964,851</u>	<u>2,657,048</u>	<u>-</u>	<u>4,621,899</u>
Less accumulated depreciation for:				
Distribution and collection systems	102,216	109,976	-	212,192
Equipment	<u>3,235</u>	<u>2,118</u>	<u>-</u>	<u>5,352</u>
Total accumulated depreciation	<u>105,451</u>	<u>112,093</u>	<u>-</u>	<u>217,544</u>
Total capital assets being depreciated, net	<u>1,859,400</u>	<u>2,544,955</u>	<u>-</u>	<u>4,404,355</u>
Business-type activities capital assets, net	<u>\$ 5,375,913</u>	<u>2,703,480</u>	<u>2,657,048</u>	<u>5,422,345</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

3-D. Long-term debt

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

	Original Principal	% Rate	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
<u>Governmental activities:</u>							
2015 Vehicles Purchase Matures 4/29/2020	\$ 65,988	5.45	\$ 63,776	-	11,856	51,919	12,519
2015 Gateway Bond Matures 10/1/2046	1,318,000	2.50	-	1,318,000	-	1,318,000	-
Total governmental activity long-term liabilities			<u>\$63,776</u>	<u>1,318,000</u>	<u>11,856</u>	<u>1,369,919</u>	<u>12,519</u>

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

	Principal	Interest	Total
2017	\$ 12,519	2,520	15,039
2018	43,219	34,770	77,989
2019	44,957	33,282	78,239
2020	44,224	31,733	75,957
2021	32,000	30,625	62,625
2022 - 2026	175,000	140,625	315,625
2027 - 2031	196,000	117,650	313,650
2032 - 2036	223,000	91,925	314,925
2037 - 2041	252,000	62,600	314,600
2042 - 2046	285,000	29,475	314,475
2047	62,000	1,550	63,550
Total	<u>\$1,369,919</u>	<u>576,755</u>	<u>1,946,674</u>

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-D. Long-term debt (continued)

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

	Original Principal	%	6/30/2015	Additions	Reductions	6/30/2016	Due Within One Year
Business-type activities:							
2004 F-250 Truck Lease							
Matures 6/25/2018	\$ 18,000	4.00	\$ 13,796	-	4,391	9,405	4,640
2012 Water Project							
Matures 1/1/2044	2,540,000	-	2,455,000	-	85,000	2,370,000	85,000
2015 Water Bond 02							
Matures 8/15/2054	300,000	4.00	5,000	295,000	2,454	297,546	3,388
2015 Water Bond 01							
Matures 9/15/2054	2,364,800	3.50	2,232,884	131,916	21,614	2,343,186	29,714
Total business-type activity long-term liabilities			\$ 4,706,680	426,916	113,459	5,020,137	122,742

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

	Principal	Interest	Total
2017	\$ 122,742	93,670	216,412
2018	124,062	92,286	216,348
2019	120,535	90,945	211,480
2020	121,818	89,662	211,480
2021	123,147	88,333	211,480
2022 - 2026	637,419	419,981	1,057,400
2027 - 2031	678,653	378,747	1,057,400
2032 - 2036	727,910	329,490	1,057,400
2037 - 2041	786,754	270,646	1,057,400
2042 - 2046	677,056	200,344	877,400
2047 - 2051	516,052	116,348	632,400
2052 - 2055	383,989	22,957	406,946
Total	\$ 5,020,137	2,193,409	7,213,546

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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 \$14,977, leaving a carrying value as of June 30, 2016 of \$78,966.

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
2017	\$ 17,159	2,812	19,970
2018	17,984	1,923	19,907
2019	13,957	1,082	15,039
2020	12,224	308	12,532
Total	\$ 61,324	6,124	67,448

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 \$2,864 for the year ended June 30, 2016. The future minimum lease payments for the lease are as follows:

Year Ending <u>June 30.</u>	
2017	\$ 2,864
2018	1,432
	\$ 4,296

3-G. Interfund receivables and payables

As of June 30, 2016, there was an outstanding balance due to the General Fund from the Big Plains Water & Sewer Special Service District Fund of \$5,970.

3-H. Interfund transfers

During the year the Town transferred \$1,997,000 from the General Fund to the Capital Projects Fund for the purpose of funding the ongoing construction of the Gateway Project.

3-I. Commitments

At year end, the Town had a major construction project in progress--the Gateway Project. The estimated cost is \$1,997,000. Construction in progress for this project at year end was \$416,431.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

3-J. Restricted net position and assigned fund balances

At June 30, 2016, the Town's restricted net position and assigned fund balances are as follows:

Governmental:	
Restricted:	
Impact fees	\$ 12,373
Construction	1,709,378
Assigned:	
Scholarship	2,964
Unassigned	53,993
Total fund balance	<u>\$ 1,778,708</u>
 Business-type:	
Net investment in capital assets	\$ 402,207
Restricted for:	
Impact fees	36,000
Bond reserve	42,500
Reserve fund	25,500
Capital facility replacement	20,263
Unrestricted	91,041
Total net position	<u>\$ 617,511</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. 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, 2016 the Town is carrying a non-current payable balance of \$62,026 for outstanding legal fees and a related receivable of \$62,026 for unpaid assessments. For the year ended June 30, 2016 \$1,599 in assessments were received and a corresponding payment of \$1,599 was made on the related non-current liability.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-C. Pension Plans

General Information about the Pension Plan

Plan description:

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

Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system;

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

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

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

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

Benefits provided:

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

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

* with actuarial reductions

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

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-C. Pension Plans (continued)

Contributions:

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

Contribution rates are as follows:

Utah Retirement Systems	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate	Employer Rate for 401(k) Plan
Contributory System				
111 - Local Government Div - Tier 2	N/A	N/A	14.91	1.78
Noncontributory System				
15 - Local Government Div - Tier 1	N/A	N/A	18.47	N/A

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

For the fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 7,684	N/A
Tier 2 Public Employees System	7,791	-
Total Contributions	\$ 15,475	-

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

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

At June 30, 2016, we reported a net pension asset of \$9 and a net pension liability of \$19,125.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0033798%	\$ -	19,125
Tier 2 Public Employees System	0.0040175%	9	-
Total		\$ 9	19,125

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

4-C. Pension Plans (continued)

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, we recognize pension expense of \$9,591.

At June 30, 2016, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,178
Changes in assumptions	-	1,113
Net difference between projected and actual earnings on pension plan investments	6,685	-
Changes in proportion and differences between contributions and proportionate share of contributions	12,849	-
Contributions subsequent to the measurement date	7,718	-
Total	\$ 27,252	\$ 2,291

\$7,718 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Net Deferred Outflows (Inflows) of Resources
2016	\$ 4,556
2017	4,556
2018	4,575
2019	3,646
2020	(18)
Thereafter	(71)

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

4-C. Pension Plans (continued)

Actuarial assumptions:

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50 - 10.50 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December, 31, 2013.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Assets class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100.00%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

4-C. Pension Plans (continued)

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 40,408	19,125	1,357
Tier 2 Public Employees System	1,608	(9)	(1,234)
Total	\$ 42,016	19,116	123

Pension plan fiduciary net position:

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

Defined Contribution Savings Plan:

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

- 401(k) Plan

Employee and employer contributions to the Utah Retirement Contribution Savings Plans for fiscal year ended June 30, 2016, were as follows:

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$ 926	-	-
Employee Contributions	-	-	-

Town of Apple Valley
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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, 2016, expenditures for all departments were under the budget amounts.

Changes in Assumptions Related to Pensions

Regarding the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions presented in this section, the following assumption changes were adopted from the most recent actuarial experience study:

There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decrease from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the pre retirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

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, 2016

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 197,476	192,500	192,334	(166)
Licenses and permits	28,500	27,295	33,154	5,859
Intergovernmental revenues	971,800	757,636	748,011	(9,625)
Charges for services	117,150	110,570	115,257	4,687
Fines and forfeitures	4,500	6,000	6,213	213
Impact fees	8,860	10,201	11,087	886
Interest	11,500	21,253	25,122	3,869
Miscellaneous revenue	5,500	3,628	3,189	(439)
Total revenues	<u>1,345,286</u>	<u>1,129,083</u>	<u>1,134,366</u>	<u>5,284</u>
Expenditures				
General government	188,413	220,367	191,041	29,326
Public safety	294,062	64,319	59,288	5,032
Sanitation	32,800	32,605	32,110	495
Public works/Streets	100,289	119,950	97,314	22,636
Culture and recreation	26,500	6,500	5,995	505
Debt Service:				
Principal	11,856	11,856	11,856	-
Interest	3,183	3,183	3,183	-
Total expenditures	<u>657,103</u>	<u>458,780</u>	<u>400,786</u>	<u>57,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	679,000	667,802	733,580	65,778
Other Financing Sources and (Uses)				
Proceeds of long-term debt	1,318,000	1,318,000	1,318,000	-
Transfer out	(1,997,000)	(1,977,000)	(1,997,000)	20,000
Total Other Financing Sources and (Uses)	<u>(679,000)</u>	<u>(659,000)</u>	<u>(679,000)</u>	<u>20,000</u>
Net Change in Fund Balances	-	8,802	54,580	45,778
Fund Balances - beginning of year	14,749	14,749	14,749	-
Fund Balances - end of year	<u>\$ 14,749</u>	<u>23,551</u>	<u>69,330</u>	<u>45,778</u>

Town of Apple Valley
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2016

	2015
Noncontributory Retirement System	
Proportion of the net pension liability (asset)	0.0033798%
Proportionate share of the net pension liability (asset)	\$ 19,125
Covered employee payroll	\$ 20,800
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.95%
Plan fiduciary net position as a percentage of the total pension liability	87.80%
 Tier 2 Public Employees Retirement System	
Proportion of the net pension liability (asset)	0.0040175%
Proportionate share of the net pension liability (asset)	\$ (9)
Covered employee payroll	\$ 26,000
Proportionate share of the net pension liability (asset) as a percentage of	-0.03%
Plan fiduciary net position as a percentage of the total pension liability	100.20%

In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will be built prospectively. The schedule above is only for the last year as the Town began offering retirement benefits beginning July 1, 2015.

Town of Apple Valley
SCHEDULE OF CONTRIBUTIONS
 June 30, 2016

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

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. The 10-year schedule will be built prospectively as the Town began offering retirement benefits beginning July 1, 2015. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

OTHER SUPPLEMENTARY INFORMATION

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Town of Apple Valley
OTHER SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2016

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

Insurance Coverage

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

	<u>Amount of Coverage</u>	<u>Expires</u>
<u>Policy #17220-GL2012:</u>		
General Liability	\$ 2,000,000	9/30/2017
Auto Bodily Injury	2,000,000	9/30/2017
Auto Property Damage	2,000,000	9/30/2017
Personal Injury Protection	As State Requires	9/30/2017
Underinsured Motorist	80,000	9/30/2017
Uninsured Motorist	80,000	9/30/2017
Pollution Exclusion Endorsement	50,000	9/30/2017
No Fault Sewer Cleanup	5,000	9/30/2017

Water System Customers and Connections

Customers	423	.
Connections	299	.
Total revenues billed	\$ 208,048	.

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	\$ 25,500	.
Capital Facilities Replacement Fund	\$ 20,263	.

Governing Body

Harold Merrit	Executive Officer
Neil Duncan	Secretary
Rick Moser	Treasurer
Jack Davis	Board Member
Rob Brown	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, 2016, 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 12, 2016.

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 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 12, 2016

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

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

Report on Compliance with General State Compliance 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 for the year ended June, 30, 2016.

General state compliance requirements were tested for the year ended June 30, 2016 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement System
- Restricted Taxes
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- Enterprise Fund Transfers, Reimbursements, Loans and Services
- Impact Fees
- Special and Local Service District Board Members

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Town for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as item 2016-001. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the compliance requirements that could have a direct and material effect on the Town to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with 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 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 12, 2016

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**Findings and Recommendations
For the Year Ended June 30, 2016**

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

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Apple Valley for the fiscal year ended June 30, 2016 we noted a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses:

None noted

Significant Deficiencies:

None noted

COMPLIANCE AND OTHER MATTERS:

Compliance:

2016-001. Surety Bond

Condition: The coverage provided by the Town's surety bond is below the minimum allowed coverage as set by the administrative code.

Criteria: Minimum surety bond amounts are set by Utah Administrative Code R628-4-4.

Effect: The Town did not comply with the minimum allowed coverage as set by Utah Administrative Code R628-4-4.

Cause: The Town has not acquired a surety bond for its Town Clerk or other personnel.

Recommendation: Each year the Town should review its budget and compare against coverage requirements as set by Utah Administrative Code R628-4-4.

Other Matters:

None noted

Responses

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

This report is intended solely for the information and use of the Town Council, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

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

HintonBurdick, PLLC
December 12, 2016