

**TOWN OF SPRINGDALE  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **FINANCIAL SECTION**

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## Independent Auditors' Report

MEMBERS:

CHAD B. ATKINSON, CPA	TODD R. HESS, CPA
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DEAN R. BURDICK, CPA	MORRIS J. PEACOCK, CPA
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BRENT R. HALL, CPA	MARK E. TICHENOR, CPA

The Honorable Mayor and  
Town Council  
Springdale, Utah

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 Springdale, Utah, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Springdale's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Springdale as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the Town of Springdale'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Springdale's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



HINTON, BURDICK, HALL & SPILKER, PLLC  
November 23, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Springdale (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total net assets increased by \$862,849 (including prior period adjustment) which resulted in total assets in excess of total liabilities (net assets) of \$7.8 million at the close of the fiscal year.
- Taxes and other governmental revenues exceeded expenses by \$202,698.
- Total business-type revenues exceeded expenses by \$660,151.
- Total revenues from all sources were \$3.13 million.
- The total cost of all Town programs was \$2.26 million
- The General Fund reported excess revenues over expenditures of \$7,614.
- Actual resources received in the General Fund were more than the final budget by \$55,003 while actual expenditures were \$8,463 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$470,491 or 30% of total General Fund expenditures, excluding transfers.
- Total reserved fund balance in the Capital Projects funds at the close of the year is \$16,961.
- At the end of the current fiscal year there was \$198,894 due to the General fund, \$118,894 payable by the Water fund and \$80,000 payable by the Parks fund.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

#### **Reporting the Town as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as

changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works, culture and recreation, community development and interest on long-term debt. Property taxes, sales tax, resort tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover all or most of the cost of the services provided.

## **Reporting the Town's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$7.85 million as of June 30, 2010 as shown in the following condensed statement of net assets. The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

### Springdale Town Statement of Net Assets

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Current and other assets	\$ 655,684	\$ 876,117	\$ 1,907,187	\$ 1,628,543
Capital assets	1,752,034	1,348,120	8,069,462	7,658,415
Total assets	<u>2,407,718</u>	<u>2,224,237</u>	<u>9,976,649</u>	<u>9,286,958</u>
Long-term liabilities outstanding	236,820	243,668	4,104,832	3,269,912
Other liabilities	53,133	65,502	138,888	944,268
Total liabilities	<u>289,953</u>	<u>309,170</u>	<u>4,243,720</u>	<u>4,214,180</u>
Net assets:				
Invested in capital assets, net of related debt	1,520,509	1,111,068	4,029,890	3,693,874
Restricted	111,805	320,876	466,744	435,469
Unrestricted	485,451	483,123	1,236,295	943,435
Total net assets	<u>\$ 2,117,765</u>	<u>\$ 1,915,067</u>	<u>\$ 5,732,929</u>	<u>\$ 5,072,778</u>

### Governmental Activities

The cost of all Governmental activities this year was \$1,538,963. As shown on the statement of Changes in Net Assets on the following page, \$210,718 of this cost was paid for by those who directly benefited from the programs; \$261,339 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$472,057. General taxes, impact fees, and investment earnings totaled \$1,269,604.

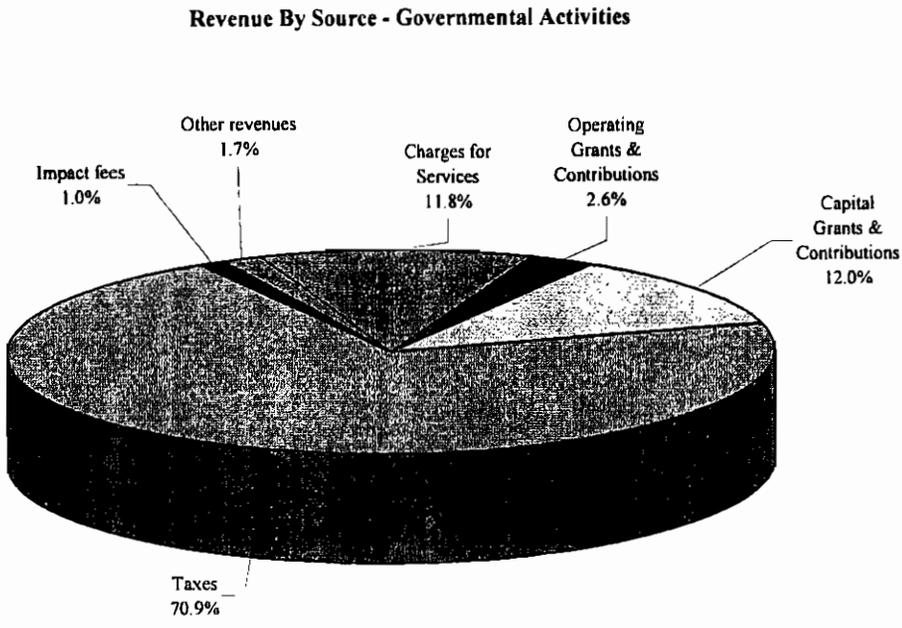
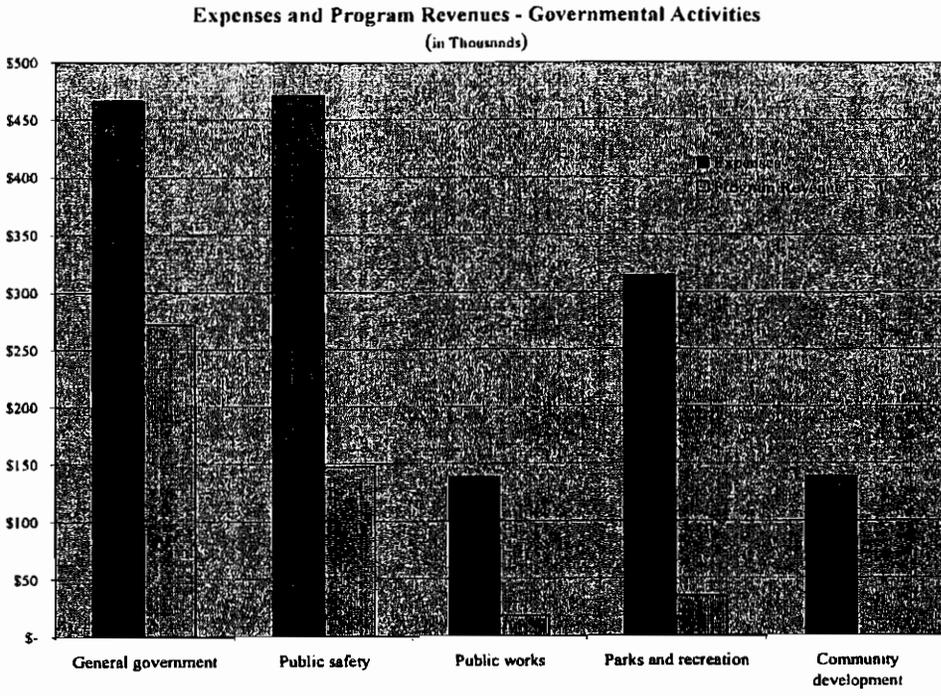
The Town's programs include: General Government, Public Safety, Public Works, Parks & Recreation and Community Development. Each program's revenues and expenses are presented below.

**Springdale Town  
Changes in Net Assets**

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Charges for services	\$ 210,718	\$ 154,151	\$ 851,517	\$ 746,769
Operating grants and contributions	46,539	48,229	-	19,000
Capital grants and contributions	214,800	6,418	454,710	509,070
General revenues:				
Taxes	1,270,023	1,225,129	-	-
Impact fees	18,000	6,000	24,240	177,573
Grants and contributions not restricted to specific programs	-	-	-	-
Other	(18,419)	(21,022)	55,598	85,618
Total revenues	<u>1,741,661</u>	<u>1,418,905</u>	<u>1,386,065</u>	<u>1,538,030</u>
Expenses:				
General government	466,501	461,282	-	-
Public safety	470,877	471,955	-	-
Public works	138,310	148,722	-	-
Parks and recreation	314,558	279,638	-	-
Community development	138,530	126,672	-	-
Interest on long-term debt	10,187	14,301	-	-
Water	-	-	392,505	373,346
Sewer	-	-	220,750	183,157
Irrigation	-	-	38,291	33,092
Building Authority	-	-	74,368	78,199
Total expenses	<u>1,538,963</u>	<u>1,502,570</u>	<u>725,914</u>	<u>667,794</u>
Increase in net assets	202,698	(83,665)	660,151	870,236
Net assets, beginning	1,915,067	2,024,839	5,072,778	4,202,542
Prior period adjustment	-	(26,107)	-	-
Net assets, ending	<u>\$ 2,117,765</u>	<u>\$ 1,915,067</u>	<u>\$ 5,732,929</u>	<u>\$ 5,072,778</u>

Total resources available during the year to finance governmental operations were \$3.66 million consisting of Net assets at July 1, 2009 of \$1.9 million, program revenues of \$472,057 and General Revenues (including transfers) of \$1,269,604. Total cost of Governmental Activities during the year was \$1,538,963; thus Governmental Net Assets were increased by \$202,698 to \$2.12 million.

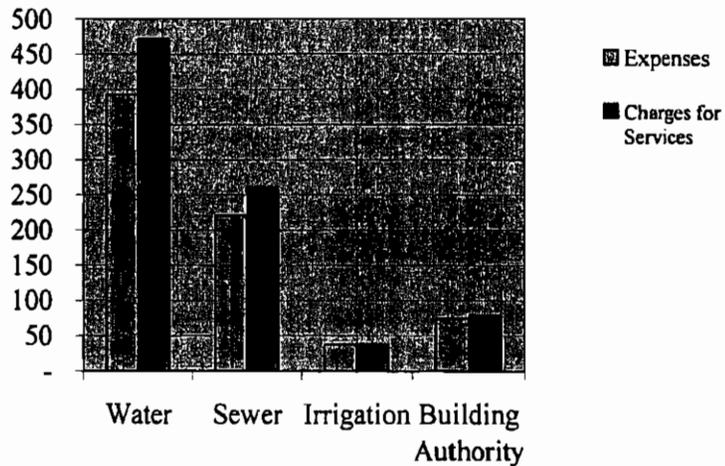
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:



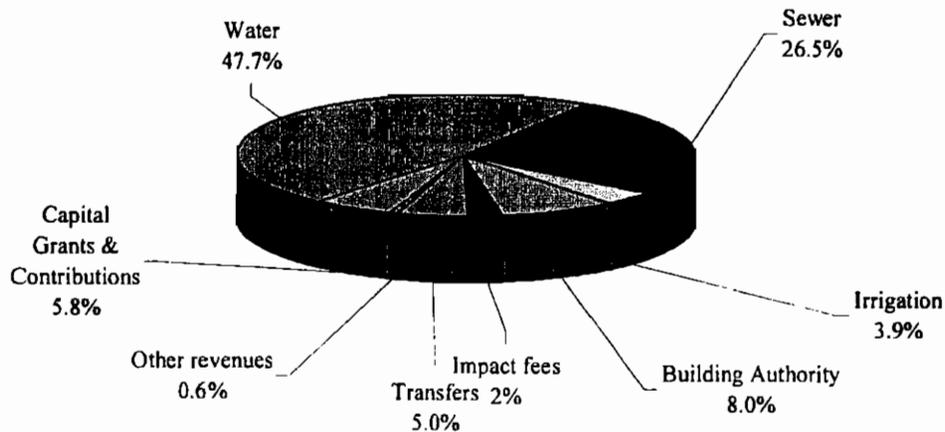
## Business Type Activities

Net assets of the Business Type activities at June 30, 2010, as reflected in the Statement of Net Assets were \$5.73 million. The cost of providing all Proprietary (Business Type) activities this year was \$725,914. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$851,517 and there were \$454,710 subsidized by capital grants and contributions. Interest earnings, transfers, and other revenues were \$79,838. The Net Assets increased by \$660,151.

**Expenses and Program Revenues - Business-type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**



## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$8,463 more than actual expenditures. Actual revenues were more than the final budget by \$55,003. Budget amendments and supplemental appropriations were made during the year to prevent most budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2010, net capital assets of the governmental activities totaled \$1.75 million and the net capital assets of the business-type activities totaled \$8.07 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

### **Debt**

At year-end, the Town had \$236,820 in governmental type debt, and \$4.1 million in proprietary debt. The debt is a liability of the government. During the current fiscal year, the Town's total debt increased by \$828,070. (See note 6 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2010/2011, the Town Council and management were cautious as to the growth of revenues and expenditures.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Springdale, P.O. Box 187, 84767 or call (435) 772-3434.

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## **BASIC FINANCIAL STATEMENTS**

**Town of Springdale  
Statement of Net Assets  
June 30, 2010**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 305,029	\$ 1,373,298	\$ 1,678,327
Receivables (net of allowance)	19,533	107,396	126,929
Internal balances	118,894	(118,894)	-
Prepays	170	-	170
Deferred Charges	5,293	68,643	73,936
Temporarily restricted assets:			
Cash and cash equivalents	206,765	476,744	683,509
Capital assets (net of accumulated depreciation):			
Land	318,300	132,444	450,744
Buildings	421,229	1,201,229	1,622,458
Improvements	464,186	599,624	1,063,810
Furniture and fixtures	4,296	43,276	47,572
Machinery and equipment	2,823	127,768	130,591
Automobiles and trucks	52,020	3,824	55,844
Infrastructure	336,345	-	336,345
Water rights	-	143,900	143,900
Distribution system	-	2,950,384	2,950,384
Construction in progress	152,835	2,867,013	3,019,848
Total assets	<u>\$ 2,407,718</u>	<u>\$ 9,976,649</u>	<u>\$ 12,384,367</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 53,133	\$ 39,717	\$ 92,850
Deferred revenue	-	95,028	95,028
Customer deposits	-	4,143	4,143
Noncurrent liabilities:			
Due within one year	66,279	167,080	233,359
Due in more than one year	170,541	3,937,752	4,108,293
Total liabilities	<u>289,953</u>	<u>4,243,720</u>	<u>4,533,673</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,520,509	4,029,890	5,550,399
Restricted for:			
Debt service	-	247,113	247,113
Capital projects	16,961	219,631	236,592
Other purposes	94,844	-	94,844
Unrestricted	485,451	1,236,295	1,721,746
Total net assets	<u>\$ 2,117,765</u>	<u>\$ 5,732,929</u>	<u>\$ 7,850,694</u>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
Statement of Activities  
For the Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 466,501	\$ 47,985	\$ 9,217	\$ 214,800	\$ (194,499)	\$ -	\$ (194,499)
Public safety	470,877	138,962	8,599	-	(323,316)	-	(323,316)
Public works	138,310	-	18,007	-	(120,303)	-	(120,303)
Parks and recreation	314,558	23,771	10,716	-	(280,071)	-	(280,071)
Community development	138,530	-	-	-	(138,530)	-	(138,530)
Interest on long-term debt	10,187	-	-	-	(10,187)	-	(10,187)
<b>Total governmental activities</b>	<b>1,538,963</b>	<b>210,718</b>	<b>46,539</b>	<b>214,800</b>	<b>(1,066,906)</b>	<b>-</b>	<b>(1,066,906)</b>
<b>Business-type activities:</b>							
Water	392,505	471,990	-	397,510	-	476,995	476,995
Sewer	220,750	261,620	-	57,200	-	98,070	98,070
Irrigation	38,291	38,464	-	-	-	173	173
Building Authority	74,368	79,443	-	-	-	5,075	5,075
<b>Total business-type activities</b>	<b>725,914</b>	<b>851,517</b>	<b>-</b>	<b>454,710</b>	<b>-</b>	<b>580,313</b>	<b>580,313</b>
<b>Total primary government</b>	<b>\$ 2,264,877</b>	<b>\$ 1,062,235</b>	<b>\$ 46,539</b>	<b>\$ 669,510</b>	<b>(1,066,906)</b>	<b>580,313</b>	<b>(486,593)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes levied for general purposes					56,253	-	56,253
Sales and use taxes					273,404	-	273,404
Franchise taxes					68,810	-	68,810
Resort taxes					678,743	-	678,743
Transient room taxes					184,477	-	184,477
Telecommunications tax					8,336	-	8,336
Impact fees					18,000	24,240	42,240
Unrestricted investment earnings					11,952	5,974	17,926
Miscellaneous					19,253	-	19,253
Transfers					(49,624)	49,624	-
<b>Total general revenues &amp; transfers</b>					<b>1,269,604</b>	<b>79,838</b>	<b>1,349,442</b>
<b>Change in net assets</b>					<b>202,698</b>	<b>660,151</b>	<b>862,849</b>
<b>Net assets - beginning</b>					<b>1,915,067</b>	<b>5,072,778</b>	<b>6,987,845</b>
<b>Net assets - ending</b>					<b>\$ 2,117,765</b>	<b>\$ 5,732,929</b>	<b>\$ 7,850,694</b>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
Balance Sheet  
Governmental Funds  
June 30, 2010**

	General Fund	Parks Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 305,029	\$ -	\$ -	\$ 305,029
Receivables (net of allowance)	2,875	-	-	2,875
Due from other governments	16,658	-	-	16,658
Due from other funds	198,894	-	-	198,894
Prepaid expenses	170	-	-	170
Restricted cash and cash equivalents	109,804	86,820	10,141	206,765
Total Assets	<u>\$ 633,430</u>	<u>\$ 86,820</u>	<u>\$ 10,141</u>	<u>\$ 730,391</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 32,861	\$ -	\$ -	\$ 32,861
Accrued liabilities	17,524	-	-	17,524
Customer deposits	2,750	-	-	2,750
Due to other funds	-	80,000	-	80,000
Total Liabilities	<u>53,135</u>	<u>80,000</u>	<u>-</u>	<u>133,135</u>
Fund balances:				
Reserved for:				
Capital outlay	14,960	6,820	10,141	31,921
Other	94,844	-	-	94,844
Unreserved, reported in:				
General fund	470,491	-	-	470,491
Total fund balances	<u>580,295</u>	<u>6,820</u>	<u>10,141</u>	<u>597,256</u>
Total liabilities and fund balances	<u>\$ 633,430</u>	<u>\$ 86,820</u>	<u>\$ 10,141</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,752,034

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(231,525)

Net assets of governmental activities

\$ 2,117,765

The accompanying notes are an integral part of the financial statements.

**Town of Springdale**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	General Fund	Parks Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 54,485	\$ -	\$ -	\$ 54,485
Fees in lieu of property taxes	1,768	-	-	1,768
Sales and use taxes	273,402	-	-	273,402
Franchise taxes	68,810	-	-	68,810
Resort taxes	678,743	-	-	678,743
Transient room taxes	184,477	-	-	184,477
Telecommunications tax	8,336	-	-	8,336
Licenses, Permits and Fees	43,591	-	-	43,591
Impact fees	-	18,000	-	18,000
Intergovernmental	35,823	10,716	-	46,539
Contributions and other	126,034	158	-	126,192
Fines and Forfeitures	39,005	-	-	39,005
Interest	10,662	992	298	11,952
Miscellaneous	21,183	-	-	21,183
<b>Total revenues</b>	<b>1,546,319</b>	<b>29,866</b>	<b>298</b>	<b>1,576,483</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	434,013	-	-	434,013
Public safety	470,743	-	-	470,743
Public works	115,697	-	-	115,697
Culture and recreation	318,312	-	-	318,312
Community development	155,075	-	-	155,075
Capital outlay	-	223,843	-	223,843
Debt service	44,865	-	-	44,865
<b>Total expenditures</b>	<b>1,538,705</b>	<b>223,843</b>	<b>-</b>	<b>1,762,548</b>
Excess (deficiency) of revenues over (under) expenditures	7,614	(193,977)	298	(186,065)
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	28,946	-	-	28,946
Transfers out	(70,000)	-	(14,960)	(84,960)
Transfers in	35,336	-	-	35,336
<b>Total other financing sources and uses</b>	<b>(5,718)</b>	<b>-</b>	<b>(14,960)</b>	<b>(20,678)</b>
<b>Net change in fund balance</b>	<b>1,896</b>	<b>(193,977)</b>	<b>(14,662)</b>	<b>(206,743)</b>
Fund balance, beginning of year	578,399	200,797	24,803	803,999
<b>Fund balance, end of year</b>	<b>\$ 580,295</b>	<b>\$ 6,820</b>	<b>\$ 10,141</b>	<b>\$ 597,256</b>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
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, 2010**

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

Net change in fund balances - total governmental funds	\$	(206,743)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		403,911
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		(1,322)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources in the governmental funds, but increases long-term liabilities in the statement of net assets.		(28,946)
Repayment of long-term debt (e.g. bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		48,000
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(12,202)
Change in net assets of governmental activities	<u>\$</u>	<u>202,698</u>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 56,465	\$ 53,149	\$ 54,485	\$ 1,336
Fees in lieu of property taxes	1,500	1,500	1,768	268
Sales and use taxes	267,000	267,000	273,402	6,402
Franchise taxes	61,000	61,000	68,810	7,810
Resort taxes	628,000	650,000	678,743	28,743
Transient room taxes	170,000	170,000	184,477	14,477
Telecommunications tax	9,500	9,500	8,336	(1,164)
Licenses, Permits and Fees	31,200	45,640	43,591	(2,049)
Intergovernmental	25,000	35,823	35,823	-
Contributions and other	90,300	126,312	126,034	(278)
Fines and Forfeitures	50,000	39,010	39,005	(5)
Interest	10,500	11,123	10,662	(461)
Miscellaneous	20,200	21,259	21,183	(76)
Total revenues	<u>1,420,665</u>	<u>1,491,316</u>	<u>1,546,319</u>	<u>55,003</u>
<b>Expenditures</b>				
Current:				
General government	389,541	441,988	434,013	7,975
Public safety	435,997	473,931	470,743	3,188
Public works	103,204	118,849	115,697	3,152
Culture and recreation	300,288	304,111	318,312	(14,201)
Community development	175,850	163,424	155,075	8,349
Debt service	44,865	44,865	44,865	-
Total expenditures	<u>1,449,745</u>	<u>1,547,168</u>	<u>1,538,705</u>	<u>8,463</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,080)</u>	<u>(55,852)</u>	<u>7,614</u>	<u>63,466</u>
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	-	-	28,946	28,946
Transfers out	(70,000)	(70,000)	(70,000)	-
Transfers in	20,000	20,376	35,336	14,960
Total other financing sources and uses	<u>(50,000)</u>	<u>(49,624)</u>	<u>(5,718)</u>	<u>43,906</u>
Net change in fund balance	(79,080)	(105,476)	1,896	107,372
Fund balance, beginning of year	<u>578,399</u>	<u>578,399</u>	<u>578,399</u>	<u>-</u>
Fund balance, end of year	<u>\$ 499,319</u>	<u>\$ 472,923</u>	<u>\$ 580,295</u>	<u>\$ 107,372</u>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010**

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 181,600	\$ 812,421	\$ 78,595	\$ 300,682	\$ 1,373,298
Receivables, net of allowance	64,560	29,902	2,934	10,000	107,396
Bond issuance costs, net of accumulated amortization	33,203	-	-	35,440	68,643
<b>Total current assets</b>	<u>279,363</u>	<u>842,323</u>	<u>81,529</u>	<u>346,122</u>	<u>1,549,337</u>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	378,150	88,594	-	10,000	476,744
<b>Capital assets:</b>					
Land	-	132,444	-	-	132,444
Distribution system	3,000,236	1,908,788	-	-	4,909,024
Furniture and fixtures	-	-	-	77,514	77,514
Machinery and equipment	67,510	163,674	-	-	231,184
Automobiles and trucks	36,354	64,774	-	-	101,128
Buildings	-	-	-	1,303,200	1,303,200
Improvements other than buildings	12,330	348,375	687,272	-	1,047,977
Water rights	100,000	-	43,900	-	143,900
Construction in progress	2,867,013	-	-	-	2,867,013
Less: Accumulated depreciation	(927,959)	(1,406,810)	(272,944)	(136,209)	(2,743,922)
<b>Total noncurrent assets</b>	<u>5,533,634</u>	<u>1,299,839</u>	<u>458,228</u>	<u>1,254,505</u>	<u>8,546,206</u>
<b>Total assets</b>	<u>\$ 5,812,997</u>	<u>\$ 2,142,162</u>	<u>\$ 539,757</u>	<u>\$ 1,600,627</u>	<u>\$ 10,095,543</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 11,014	\$ 2,497	\$ 2,858	\$ -	\$ 16,369
Accrued liabilities	16,373	-	-	6,975	23,348
Customer deposits	4,143	-	-	-	4,143
Due to other funds	118,894	-	-	-	118,894
Deferred revenue	95,028	-	-	-	95,028
Current portion of long-term debt	138,080	-	-	29,000	167,080
<b>Total current liabilities</b>	<u>383,532</u>	<u>2,497</u>	<u>2,858</u>	<u>35,975</u>	<u>424,862</u>
<b>Noncurrent liabilities:</b>					
Compensated absences	3,592	-	-	-	3,592
Bonds payable (net of current portion)	2,847,160	-	-	1,087,000	3,934,160
<b>Total noncurrent liabilities</b>	<u>2,850,752</u>	<u>-</u>	<u>-</u>	<u>1,087,000</u>	<u>3,937,752</u>
<b>Total liabilities</b>	<u>3,234,284</u>	<u>2,497</u>	<u>2,858</u>	<u>1,122,975</u>	<u>4,366,614</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	2,203,447	1,211,245	458,228	156,970	4,029,890
Restricted for debt service	158,519	88,594	-	-	247,113
Restricted for capital outlay	219,631	-	-	-	219,631
Unrestricted	(2,884)	839,826	78,671	320,682	1,236,295
<b>Total net assets</b>	<u>\$ 2,578,713</u>	<u>\$ 2,139,665</u>	<u>\$ 536,899</u>	<u>\$ 477,652</u>	<u>\$ 5,732,929</u>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
<b>Operating revenues:</b>					
Charges for services	\$ 430,443	\$ 218,690	\$ 38,464	\$ -	\$ 687,597
Garbage collection revenue	30,044	-	-	-	30,044
Other revenues	11,503	42,930	-	79,443	133,876
Total operating revenues	<u>471,990</u>	<u>261,620</u>	<u>38,464</u>	<u>79,443</u>	<u>851,517</u>
<b>Operating expenses:</b>					
Salaries, wages and benefits	171,642	50,398	3,328	-	225,368
Office expenses and travel	7,468	5,711	1,877	-	15,056
Repairs and maintenance	44,540	16,829	2,200	-	63,569
Utilities	29,741	6,950	10,831	-	47,522
Legal and professional fees	13,781	58,216	-	1,344	73,341
Garbage collection	24,701	-	-	-	24,701
Contract services	4,234	1,339	3,678	-	9,251
Insurance	9,218	5,456	-	1,271	15,945
Miscellaneous	4,531	607	1,139	-	6,277
Depreciation	74,636	75,244	15,238	43,309	208,427
Total operating expenses	<u>384,492</u>	<u>220,750</u>	<u>38,291</u>	<u>45,924</u>	<u>689,457</u>
Operating income (loss)	<u>87,498</u>	<u>40,870</u>	<u>173</u>	<u>33,519</u>	<u>162,060</u>
<b>Non-operating revenues (expenses)</b>					
Interest income	4,095	1,401	-	478	5,974
Interest expense and fiscal charges	(8,013)	-	-	(28,444)	(36,457)
Grants	384,000	57,200	-	-	441,200
Connection and impact fees	24,240	-	-	-	24,240
Total non-operating revenues (expenses)	<u>404,322</u>	<u>58,601</u>	<u>-</u>	<u>(27,966)</u>	<u>434,957</u>
Income (loss) before contributions and transfers	491,820	99,471	173	5,553	597,017
Capital contributions	13,510	-	-	-	13,510
Transfers from other funds	60,000	-	5,962	10,000	75,962
Transfers to other funds	(5,962)	-	-	(20,376)	(26,338)
Change in net assets	559,368	99,471	6,135	(4,823)	660,151
Total net assets, beginning of year	<u>2,019,345</u>	<u>2,040,194</u>	<u>530,764</u>	<u>482,475</u>	<u>5,072,778</u>
Total net assets, end of year	<u>\$ 2,578,713</u>	<u>\$ 2,139,665</u>	<u>\$ 536,899</u>	<u>\$ 477,652</u>	<u>\$ 5,732,929</u>

The accompanying notes are an integral part of the financial statements.

**Town of Springdale  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2010**

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 442,436	\$ 215,162	\$ 46,497	\$ -	\$ 704,095
Cash received from customers, other	11,503	42,930	-	79,443	133,876
Cash paid to suppliers	(948,365)	(96,837)	(16,867)	(2,614)	(1,064,683)
Cash paid to employees	(171,642)	(50,398)	(3,328)	-	(225,368)
Net cash flows from operating activities	<u>(666,068)</u>	<u>110,857</u>	<u>26,302</u>	<u>76,829</u>	<u>(452,080)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds (to) from other funds	15,038	-	5,962	(10,376)	10,624
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from capital asset grants	384,000	57,200	-	-	441,200
Purchase of capital assets	(581,916)	(15,048)	(9,000)	-	(605,964)
Proceeds from issuance of bonds	1,000,000	-	-	-	1,000,000
Principal paid on long-term debt	(136,080)	-	-	(29,000)	(165,080)
Interest paid	(1,631)	-	-	(27,281)	(28,912)
Connection & impact fees	24,240	-	-	-	24,240
Net cash flows from capital and related financing activities	<u>688,613</u>	<u>42,152</u>	<u>(9,000)</u>	<u>(56,281)</u>	<u>665,484</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	4,095	1,401	-	478	5,974
Net change in Cash and Cash Equivalents	41,678	154,410	23,264	10,650	230,002
Cash and Cash Equivalents, Beginning of Year (including restricted cash)	<u>518,072</u>	<u>746,605</u>	<u>55,331</u>	<u>300,032</u>	<u>1,620,040</u>
Cash and Cash Equivalents, End of Year (including restricted cash)	<u>\$ 559,750</u>	<u>\$ 901,015</u>	<u>\$ 78,595</u>	<u>\$ 310,682</u>	<u>\$ 1,850,042</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:</b>					
Net Operating Income/(Loss)	\$ 87,498	\$ 40,870	\$ 173	\$ 33,519	\$ 162,060
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	74,636	75,244	15,238	43,310	208,428
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(17,276)	(3,528)	8,033	-	(12,771)
Increase/(Decrease) in accounts payable	(810,151)	(1,729)	2,858	-	(809,022)
Increase/(Decrease) in customer deposits	(775)	-	-	-	(775)
Net cash flows from operating activities	<u>\$ (666,068)</u>	<u>\$ 110,857</u>	<u>\$ 26,302</u>	<u>\$ 76,829</u>	<u>\$ (452,080)</u>
<b>Noncash investing, capital, and financing activities:</b>					
Contributions of capital assets from developers	13,510	-	-	-	

The accompanying notes are an integral part of the financial statements.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 1. Summary of Significant Accounting Policies

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##### **General**

The financial statements of the Town of Springdale, Utah, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

##### **Reporting entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 1. Summary of Significant Accounting Policies, Continued

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##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source." Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**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. For this purpose, 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, room taxes, licenses 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 receivable due 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 Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Parks Capital Project Fund – This fund is used to account for the construction of park facilities and improvements.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 1. Summary of Significant Accounting Policies, Continued

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The Town reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the Town.

The Sewer Fund is used to account for the provision of sewer services to the residents of the Town.

The Municipal Building Authority is used to account for the issuance of debt and receipt of donations for the community center.

The Town reports the following non-major proprietary funds:

The Irrigation Fund is used to account for the provision of irrigation water services to the residents of the Town.

The Irrigation fund is not a major fund of the Town; however, it is reported as a major fund because it is the only non-major proprietary fund and as such it is reported in a separate column.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Restricted Assets**

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

**Deposits and Investments**

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**Inventories and Prepaid Items**

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories for the business-type funds (Water and Sewer Funds), consisting of materials used in the extension and repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis. Inventories have not been included in the financial statements and are not considered material. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 1. Summary of Significant Accounting Policies, Continued

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##### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	7-40 years
Furniture and fixtures	5-7 years
Automobiles and trucks	5-7 years
Machinery and equipment	3-5 years
Infrastructure	7-40 years

##### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Estimates

Generally accepted accounting principles require 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.

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds Payable	\$ 161,000
Less: Deferred amounts for issuance costs	(5,293)
Capital Lease Payable	40,695
Compensated Absences Payable	<u>35,123</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 231,525</u>

**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 504,013
Depreciation Expense	<u>(100,102)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 403,911</u>

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

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Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Amortization of issuance costs	<u>\$ (1,322)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,322)</u>

The final element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Principal repayments:	
Payments on revenue bonds	\$ 36,000
Payments on capital leases	<u>12,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 48,000</u>

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 3. Stewardship, Compliance, and Accountability

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##### **Budgets and Budgetary Accounting**

The Town Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures.
- (2) A public hearing is conducted prior to June 22 to obtain taxpayer comments.
- (3) Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level.
- (4) Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year there were amendments to the budget. Procedures for amending the budgets were in accordance with State Laws.

##### **Taxes**

Property taxes are collected by the Washington County Treasurer and remitted to the Town in monthly installments. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 4. Deposits and Investments

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Listed below is a summary of the cash and temporary cash investment portfolio of the Town as of June 30, 2010. All investments are governed by the Utah Money Management Act.

Unrestricted amounts	\$ 1,678,327
Restricted amounts	<u>683,509</u>
	<u>\$ 2,361,836</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### Deposits

##### Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2010, none of the Town's bank balance was exposed to custodial credit risk as it was fully insured.

##### Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 4. Deposits and Investments, Continued**

bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2010 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Zions Bank					
Treasury Obligations	\$ 136,572	\$ 136,572	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,158,383	2,158,383	-	-	-
<b>Total Fair Value</b>	<b>\$ 2,294,954</b>	<b>\$ 2,294,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 4. Deposits and Investments, Continued**

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2010 the Town had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		AAA	AA	A	Unrated
Zions Bank					
Treasury Obligations	\$ 136,572	\$ 136,572	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,158,383	-	-	-	2,158,383
<b>Total Fair Value</b>	<b>\$ 2,294,954</b>	<b>\$ 136,572</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,158,383</b>

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

**Governmental Activities:**

	<b>Balance 6/30/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2010</b>
Capital assets, not being depreciated:				
Land	\$ 103,500	\$ 214,800	\$ -	\$ 318,300
Construction in progress	19,236	133,599	-	152,835
Total capital assets, not being depreciated	122,736	348,399	-	471,135
Capital assets, being depreciated:				
Buildings	586,063	-	-	586,063
Improvements	677,680	107,233	-	784,913
Furniture and fixtures	120,096	-	-	120,096
Computer equipment	60,027	-	-	60,027
Machinery and equipment	111,132	-	24,683	86,449
Automobiles and trucks	145,730	29,296	-	175,026
Infrastructure	425,353	19,085	-	444,438
Total capital assets, being depreciated	2,126,081	155,614	24,683	2,257,012
Less accumulated depreciation for:				
Buildings	(150,182)	(14,652)	-	(164,834)
Improvements	(284,871)	(35,856)	-	(320,727)
Furniture and fixtures	(113,656)	(2,144)	-	(115,800)
Computer equipment	(60,027)	-	-	(60,027)
Machinery and equipment	(105,327)	(2,982)	(24,683)	(83,626)
Automobiles and trucks	(105,018)	(17,988)	-	(123,006)
Infrastructure	(81,613)	(26,480)	-	(108,093)
Total accumulated depreciation	(900,694)	(100,102)	(24,683)	(976,113)
Total capital assets, being depreciated, net	1,225,387	55,512	-	1,280,899
Governmental activities capital assets, net	\$ 1,348,123	\$ 403,911	\$ -	\$ 1,752,034

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 5. Capital Assets, Continued**

Depreciation expense was charged to the functions/programs of the Town as follows:

**Governmental Activities:**

General government	\$ 22,399
Public safety	6,648
Highways	40,934
Parks and recreation	29,687
Community development	434
<b>Total depreciation expense - governmental activities</b>	<b>\$ 100,102</b>

**Business Type Activities:**

	<b>Balance 6/30/2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2010</b>
Capital assets not being depreciated:				
Land	\$ 132,444	\$ -	\$ -	\$ 132,444
Water rights	134,900	9,000	-	143,900
Construction in progress	2,285,097	581,916	-	2,867,013
Total capital assets, not being depreciated	2,552,441	590,916	-	3,143,357
Capital assets being depreciated:				
Distribution system	4,895,513	13,510	-	4,909,023
Furniture and fixtures	77,514	-	-	77,514
Machinery and equipment	216,137	15,048	-	231,185
Automobiles and trucks	101,128	-	-	101,128
Buildings	1,303,200	-	-	1,303,200
Improvements	1,047,977	-	-	1,047,977
Total capital assets, being depreciated	7,641,469	28,558	-	7,670,027
Less accumulated depreciation for:				
Distribution system	(1,846,391)	(112,248)	-	(1,958,639)
Furniture and fixtures	(24,631)	(9,607)	-	(34,238)
Machinery and equipment	(82,612)	(20,805)	-	(103,417)
Automobiles and trucks	(95,195)	(2,109)	-	(97,304)
Buildings	(68,268)	(33,703)	-	(101,971)
Improvements	(418,398)	(29,955)	-	(448,353)
Total accumulated depreciation	(2,535,495)	(208,427)	-	(2,743,922)
Total capital assets, being depreciated, net	5,105,974	(179,869)	-	4,926,105
Business-type activities capital assets, net	\$ 7,658,415	\$ 411,047	\$ -	\$ 8,069,462

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 6. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
<b>Governmental Activities:</b>					
Revenue bonds	\$ 197,000	\$ -	\$ (36,000)	\$ 161,000	\$ 38,000
Less deferred amounts:					
For issuance costs	(6,616)	-	1,323	(5,293)	-
Total bonds payable	190,384	-	(34,677)	155,707	38,000
Capital leases	23,749	28,946	(12,000)	40,695	10,717
Compensated absences	22,919	23,664	(11,460)	35,123	17,562
Governmental activity					
Long-term liabilities	<u>\$ 237,052</u>	<u>\$ 52,610</u>	<u>\$ (58,137)</u>	<u>\$ 231,525</u>	<u>\$ 66,279</u>
<b>Business-type Activities:</b>					
Revenue bonds	\$ 3,266,320	\$ 1,000,000	\$ (165,080)	\$ 4,101,240	\$ 167,080
Less deferred amounts:					
For issuance costs	(71,772)	-	3,129	(68,643)	-
Total bonds payable	3,194,548	1,000,000	(161,951)	4,032,597	167,080
Compensated absences	3,592	-	-	3,592	-
Business type activity					
Long-term liabilities	<u>\$ 3,198,140</u>	<u>\$ 1,000,000</u>	<u>\$ (161,951)</u>	<u>\$ 4,036,189</u>	<u>\$ 167,080</u>
Total long-term liabilities	<u>\$ 3,435,192</u>	<u>\$ 1,052,610</u>	<u>\$ (220,088)</u>	<u>\$ 4,267,714</u>	<u>\$ 233,359</u>

Bonds payable at June 30, 2010 is comprised of the following issues:

**Revenue Bonds:**

**General:**

Sales Tax Revenue Refunding Bonds, Series 2004A,  
due in annual installments of \$36,000 to \$93,000  
at interest between 3.75% and 4.5%, beginning  
September 1, 2004, maturing March 1, 2014.

161,000

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 6. Long-Term Debt, Continued**

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**Water Fund:**

Subordinated Water Revenue Bonds, Series 2004, due in annual installments of \$1,000 to \$103,000 at 1% interest beginning September 1, 2005, maturing September 1, 2022, payable from water fund revenues. 799,000

Water Revenue Bonds Series 1995A, due in annual installments of \$4,000 to \$48,000; interest free, maturing January 1, 2014, payable from water fund revenues. 192,000

Water Revenue Bonds Series 1987A, due in annual installments of \$17,080 interest free, maturing January 2013, payable from water fund revenues. 51,240

Sales Tax Revenue Bonds Series 2009, due in annual installments of \$57,000 to \$77,000 at 1% interest, maturing May 1, 2039, payable from transient room tax revenues. As of June 30, 2009 the full amount of this bond had not been drawn. 1,943,000

**Municipal Building Authority:**

Lease Revenue Bonds, Series 2006, due in annual installments of \$27,000 to \$54,000; at 2.5% interest, maturing April 1, 2037, payable from lease revenues. 1,116,000

Total revenue bonds 4,262,240

Capital leases 40,695

Compensated absences 38,715

Less: Deferred amounts for issuance costs

Business-type activities (68,643)

Governmental-type activities (5,293)

Total bond issue costs (73,936)

Total long-term debt 4,267,714

Less: Current portion

Business-type activities (167,080)

Governmental-type activities (66,279)

Net long-term debt \$ 4,034,355

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 6. Long-Term Debt, Continued**

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There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

The annual funding requirements to amortize bonds and notes payable at June 30, 2010 are as follows:

Fiscal Year Ended June 30	<u>Governmental-type Activities</u>	
	<u>2004A Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	38,000	7,246
2012	39,000	5,536
2013	41,000	3,780
2014	43,000	1,934
Total	<u>\$ 161,000</u>	<u>\$ 18,496</u>

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 6. Long-Term Debt, Continued**

Fiscal Year Ended June 30	<b>Business-type Activities</b>			
	Water		Municipal Building Authority	
	Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	138,080	38,446	29,000	27,900
2012	141,080	35,681	30,000	27,175
2013	142,080	32,775	31,000	26,425
2014	127,000	29,785	32,000	25,650
2015	80,000	26,701	32,000	24,850
2016	129,000	23,570	33,000	24,050
2017	143,000	22,280	34,000	23,225
2018	146,000	20,850	35,000	22,375
2019	151,000	19,390	36,000	21,500
2020	155,000	17,880	37,000	20,600
2021	159,000	16,330	38,000	19,675
2022	165,000	14,740	39,000	18,725
2023	168,000	13,090	40,000	17,750
2024	66,000	11,410	41,000	16,750
2025	67,000	10,750	42,000	15,725
2026	67,000	10,080	43,000	14,675
2027	68,000	9,410	44,000	13,600
2028	69,000	8,730	45,000	12,500
2029	70,000	8,040	46,000	11,375
2030	70,000	7,340	47,000	10,225
2031	71,000	6,640	48,000	9,050
2032	72,000	5,930	49,000	7,850
2033	72,000	5,210	51,000	6,625
2034	73,000	4,490	52,000	5,350
2035	74,000	3,760	53,000	4,050
2036	74,000	3,020	55,000	2,725
2037	75,000	2,280	54,000	1,350
2038	76,000	1,530		
2039	77,000	770		
Total	<u>\$ 2,985,240</u>	<u>\$ 408,608</u>	<u>\$ 1,116,000</u>	<u>\$ 431,750</u>

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 7. Capital Lease Payable**

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The Town has entered into two lease agreements which are considered capital leases in accordance with Financial Accounting Standards Board statement number 13. The leases are shown in the governmental activities section of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest of 8.5% and 5.778% respectively together with the present value of the net minimum lease payments:

Year Ending June 30,	Police Vehicle Lease	Truck Lease	Total
2011	\$ 7,162	\$ 6,475	\$ 13,637
2012	7,163	6,475	13,638
2013	7,162	6,475	13,637
2014	-	6,475	6,475
Total remaining minimum lease payments	21,487	25,900	47,387
Less amount representing interest	(3,263)	(3,429)	(6,692)
Present value of net remaining minimum lease payments	<u>\$ 18,224</u>	<u>\$ 22,471</u>	<u>\$ 40,695</u>

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**Note 8. Accounts Receivable**

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Accounts receivable consists of the following:

**Water Fund**

Water Fees	\$ 72,978
Garbage Fees	4,834
Miscellaneous	15
Total Water Fund accounts receivable	77,827
Less: Allowance for doubtful accounts	(13,267)
Water Fund accounts receivable (net of allowance)	<u>64,560</u>

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 8.      Accounts Receivable, Continued**

**Sewer Fund**

Sewer Fees	36,435
Less: Allowance for doubtful accounts	<u>(6,533)</u>
Sewer Fund accounts receivable (net of allowance)	<u>29,902</u>

**Irrigation Fund**

Irrigation Fees	3,526
Less: Allowance for doubtful accounts	<u>(592)</u>
Irrigation Fund accounts receivable (net of allowance)	<u>2,934</u>

**Municipal Building Authority Fund**

Due from other governments	10,000
Less: Allowance for doubtful accounts	<u>-</u>
MBA Fund account receivable (net of allowance)	<u>10,000</u>
Total accounts receivable (net of allowance)	<u><u>\$ 107,396</u></u>

**Note 9.      Interfund Transactions and Balances**

As of June 30, 2010, interfund receivables and payables were as follows:

Due To	Due From		Total
	Water Fund	Parks Fund	
General Fund	\$ 118,894	\$ 80,000	\$ 198,894
Total	\$ 118,894	\$ 80,000	\$ 198,894

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 9. Interfund Transactions and Balances, Continued**

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On May 18, 2004, the Town issued bonds in the amount of \$674,000. The proceeds were received into the general fund of the Town and used to retire a capital lease, which was debt of the governmental activities of the Town, a note payable in the water fund and bonds payable in the sewer fund. The bonds are secured by sales tax revenues and will be serviced by the general fund. However, it is the intention of the Town, that the water and sewer funds transfer monies to the general fund to pay their portion of the debt service.

Interfund transfers for the fiscal year ended June 30, 2010 are as follows:

Transfers From	Transfers To				Total
	Water Fund	Irrigation Fund	Building Authority	General Fund	
General Fund	\$ 60,000	\$ -	\$ 10,000	\$ -	\$ 70,000
Water Fund	-	5,962	-	-	5,962
Building Authority	-	-	-	20,376	20,376
CDBG Fund	-	-	-	14,960	14,960
Total	<u>\$ 60,000</u>	<u>\$ 5,962</u>	<u>\$ 10,000</u>	<u>\$ 35,336</u>	<u>\$ 111,298</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations and (3) to transfer remaining unspent fund balance into the general fund for ease of accounting.

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**Note 10. Equity Classifications**

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

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**Note 10. Equity Classifications, Continued**

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- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2010, the Town’s reserved and designated fund balances are as follows:

<b>General Fund</b>	
CDBG Grant Funds	\$ 14,960
Class C Roads	70,268
State Liquor Funds	24,576
	<u>\$ 109,804</u>
<b>Capital Projects Funds</b>	
Parks	\$ 6,820
Streets	10,141
	<u>\$ 16,961</u>
<b>Water Fund</b>	
1995A Water Bond Reserves	\$ 72,000
1987A Water Bond Reserves	25,622
2004 Water Bond Construction Fund	38,950
2010 Bond Sinking Fund	12,905
2010 Water Tank Bond Reserve	9,042
2009 Water Bond Project Funds	162,431
Grant Funds	57,200
	<u>\$ 378,150</u>
<b>Sewer Fund</b>	
1995 Sewer Bond Reserves	<u>\$ 88,594</u>

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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#### Note 11. Defined Benefit Pension Plan

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All full-time employees of the Town participate in the Utah State-Wide Local Government Retirement Systems (Systems).

##### **Plan Description**

The Town of Springdale contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

##### **Funding Policy**

In the Local Governmental Noncontributory Retirement System, the Town of Springdale is required to contribute 11.66% of their annual covered salary. In the Public Safety Noncontributory Retirement System, the Town of Springdale is required to contribute 23.34% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Town of Springdale**

**Notes to the Financial Statements  
June 30, 2010**

**Note 11. Defined Benefit Pension Plan, Continued**

The required contributions and amounts received for the 2009/2010 fiscal year and the two previous years are as follows:

Year	Employee paid contributions	Employer paid for employee contributions	Employer contributions	Salary subject to retirement contributions
<b>Noncontributory System:</b>				
Local Governmental Division				
2010	N/A	N/A	\$ 57,464.68	\$ 492,837.06
2009	N/A	N/A	56,751.14	488,394.05
2008	N/A	N/A	50,266.27	432,583.65
<b>Public Safety System:</b>				
Other Division A Noncontributory				
2010	N/A	N/A	\$ 19,017.48	\$ 81,480.31
2009	N/A	N/A	18,038.48	79,780.67
2008	N/A	N/A	17,875.86	79,061.94
<b>Defined Contribution System:</b>				
457 Plan				
2010	\$ 5,850.00	\$ -		
2009	5,800.00	-		
2008	800.00	-		
<b>Defined Contribution System:</b>				
401 (k) Plan				
2010	\$ 10,790.00	\$ 30,534.48		
2009	11,755.00	24,494.51		
2008	19,690.00	20,348.39		

The Town of Springdale commenced participation in the Public Safety Noncontributory System on July 1, 1995. The contributions were equal to the required contributions for each year.

**Note 12. 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; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or Town-wide activities being accounted for in the general fund.

The Town maintains insurance for general liability, auto liability, workers' compensation and employee dishonesty through Utah Local Government's Insurance Trust.

## Town of Springdale

### Notes to the Financial Statements June 30, 2010

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**Note 13. Garbage Contract**

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Garbage disposal services are provided to the residents of the Town by the Washington County Solid Waste Special Service District. The Town bills for these services as part of its water billings and the revenues and corresponding expenditures related to such services are included in the Water Fund. Amounts due to these entities, if any, are included with accounts payable in the Water Fund balance sheet.

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**Note 14. Contingencies and Commitments**

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The Town of Springdale was involved in a project to develop a municipal golf course. In connection with that project, the Town has become involved in the following:

On January 7, 1993, the Town signed a Mutual Release and Settlement Agreement which provides, among other things, for the payment of \$72,500 to Zion Park Resort Limited Partnership. The agreement was a result of efforts to settle a long standing dispute between the Town and Zion Park Resort over payments made by Zion Park Resort for the development of water and a municipal golf course. The settlement agreement called for payment of \$45,000 in legal fees and \$27,500 for repurchase of water hookups. The \$45,000 payment for legal fees was included with legal fee expenditures during the year ended June 30, 1993, and the \$27,500 of water hookups was used to reduce the deferred revenue collected from Zion Park Resort. Zion Park Resort had advanced the Town \$210,000 in connection with the aforementioned development. \$70,097 of the deferred revenue from Zion Park Resort represents prepayment for water connections.

The Town has the right to repurchase any of the unused connections at the rate of 15% of any of the unused connections per year at \$1,000 each, plus interest, commencing five years after the last permit is issued. As of June 30, 2010 there is a balance of \$95,028 in deferred revenue, of which \$67,146 was advanced by Zion Park Resort. The balance of \$27,882 was advanced by others in unrelated settlements.

## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

The CDBG Capital Project Fund is used to account for the receipt of a CDBG grant and expenditures related to an affordable housing project in the Town.

The Streets Capital Project Fund is used to account for streets projects in the Town.

## **COMBINING STATEMENTS**

**Town of Springdale  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010**

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	Capital Projects		Total Nonmajor Governmental Funds
	CDBG	Streets	
<b>Assets</b>			
Restricted cash and cash equivalents	\$ -	\$ 10,141	\$ 10,141
Total assets	\$ -	\$ 10,141	\$ 10,141
<b>Liabilities and Fund Balances</b>			
Fund Balance:			
Reserved for:			
Capital outlay	-	10,141	10,141
Total fund balances	-	10,141	10,141
Total liabilities and fund balances	\$ -	\$ 10,141	\$ 10,141

**Town of Springdale**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>CDBG</u>	<u>Streets</u>	
<b>Revenues</b>			
Investment earnings	\$ -	\$ 298	\$ 298
Total revenues	-	298	298
<b>Expenditures</b>			
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	298	298
<b>Other Financing Sources (Uses)</b>			
Transfers out	(14,960)	-	(14,960)
Transfers in	-	-	-
Net change in fund balances	(14,960)	298	(14,662)
Fund balances, beginning of year	14,960	9,843	24,803
Fund balances, end of year	<u>\$ -</u>	<u>\$ 10,141</u>	<u>\$ 10,141</u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**



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# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

## Independent Auditor's 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*

MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA  
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MORRIS J. PEACOCK, CPA  
PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

To the Honorable Mayor and  
Members of the Town Council  
Springdale, Utah

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 Springdale, (the Town), as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 23, 2010. 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.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying schedule of findings and recommendations to be a material weakness:

### 07-01. Misstatements Requiring Adjustments – prior year reissued

A *significant deficiency* is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies:

- 10-01. Accounts Payable Reconciliation
- 07-02. Sufficient Governmental Accounting Expertise – prior year reissued
- 07-03. Capital Asset Inventory – prior year reissued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

We noted certain matters that we reported to management of the Town in a separate letter dated November 23, 2010.

The Town's response to the findings identified in our audit are described in their accompanying response pages. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the mayor and Town council, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



HINTON, BURDICK, HALL, & SPILKER, PLLC  
November 23, 2010



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Independent Auditors' Report on Compliance with State Laws and Regulations Based on an Audit of the Basic Financial Statements Performed in Accordance with *Governmental Auditing Standards*

MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
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MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

To the Honorable Mayor and  
Members of the Town Council  
Springdale, UT

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 Springdale, Utah for the year ended June 30; 2010, and have issued our report thereon dated November 23, 2010. As part of our audit, we have audited the Town of Springdale's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The Town received the following major State assistance programs from the State of Utah:

- C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- Drinking Water Grant (Department of Environmental Quality)

Our audit also included test work on the Town's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Other General Compliance Issues
- Uniform Building Code Standards
- B & C Road Funds
- Impact Fees & Other Development Fees
- Asset Forfeitures
- Utah Retirement System
- Fund Balance

The management of the Town of Springdale is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the Town's compliance with these requirements.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations dated November 23, 2010. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Springdale, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

The Town's written response to the findings identified in our audit is described in the accompanying response letter. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

 Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL, & SPILKER, PLLC  
November 23, 2010



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

## Findings and Recommendations For the Year Ended June 30, 2010

### MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
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MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

To the Honorable Mayor and  
Members of the Town Council  
Springdale, UT

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 would like to compliment Town personnel for their administrative achievements and oversight of the Town's accounting and budget system. During this year's audit, we encountered several findings that we are required to report to you and other appropriate oversight entities. They are listed below for your consideration.

### INTERNAL CONTROL OVER FINANCIAL REPORTING:

#### Material Weakness:

#### 07-01. Misstatements Requiring Adjustments – prior year reissued

During our audit we made recommendations for adjustments that were necessary to correct various misstatements. The effect of these adjustments was material to the financial statements.

#### Recommendation

We recommend that management review the adjustments and discuss them with us to ensure they understand and are in agreement with them and that they understand the purpose and underlying accounting principles associated with each adjustment. We also recommend that the Town develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

#### Significant Deficiencies:

#### 10-01. Accounts Payable Reconciliation

It was noted during our testwork that the year end accounts payable balance per the unpaid invoice report did not agree to the accounts payable balance per the general ledger accounts indicating that the subsidiary ledger is not being reconciled to the general ledger.

Recommendation

We recommend that the unpaid invoice report be reconciled to the general ledger balances and any discrepancies be investigated and resolved.

07-02. Sufficient Governmental Accounting Expertise – prior year reissued

Professional standards indicate that it may be a significant deficiency in the Town's internal controls when the Town personnel do not have sufficient expertise to select and apply generally accepted accounting principles and prepare the Town's financial statements. It is our opinion that the Town's personnel lack that level of expertise in the governmental accounting field.

Recommendation

We suggest the Town consider providing its accounting personnel with the appropriate training, as considered cost effective, to provide them with the needed accounting expertise.

07-03. Capital Asset Inventory – prior year reissued

An annual capital asset inventory is an integral step in managing and safeguarding the assets of the Town. A capital asset inventory was not conducted this past year.

Recommendation

We recommend that a capital asset inventory be conducted at least annually to verify that assets listed in the accounting records are physically present and operational. Information obtained from the inventory should be communicated to accounting personnel and reconciled to the detail asset lists maintained by the Town.

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

10-02. Fidelity Bond Coverage

Utah code 51-7-15 and rule 4 of the Utah Money Management Act require that every public treasurer shall secure a fidelity bond, the amount of which is calculated in relation to the total budgeted gross revenue for that entity. The fidelity bond currently in place is not sufficient to meet the requirement.

Recommendation

We recommend the Town increase the fidelity bond coverage of the Public Treasurer to the amounts required by State Law.

09-01. Budgetary Compliance – prior year reissued

Utah law states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that several departments exceeded final appropriation amounts for the fiscal year ended June, 30, 2009 and two departments exceeded final appropriation amounts for the fiscal year ended June 30, 2010.

Recommendation

We recommend that the Town closely monitor the expenditures for each department to ensure that budget overruns do not occur in future fiscal years.

**Other Matters:**

None noted.

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

This letter is intended solely for the use of the town council and management.

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

Sincerely,

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC  
November 23, 2010

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February 17, 2011

Hinton, Burdick, Hall, & Spilker, PLLC  
63 South 300 East, Suite 100  
St. George, UT 84770

This letter is written in response to your findings regarding our FY 2010 audit.

**Compliance Findings and Recommendations:**

07-01. Misstatements Requiring Adjustments – prior year reissued.

Finding: During our audit, we made recommendations that were necessary to correct various misstatements. The effect of these adjustments was material to the financial statements.

Recommendation: We recommend that management review the adjustments and discuss them with us to ensure they understand and are in agreement with them and that they understand the purpose and underlying accounting principles associated with each adjustment. We also recommend that the Town develop an action plan to ensure that all significant and material adjustments are posted to the general ledger before the annual audit takes place.

Response: We will review and discuss said adjustments with auditors and we will make every effort to ensure that all material adjustments are posted prior to the annual audit in the future.

10-01. Accounts Payable Reconciliation.

Finding: It was noted during our testwork that the year end accounts payable balance per the unpaid invoice report did not agree to the accounts payable balance per the general ledger accounts indicating that the subsidiary ledger is not being reconciled to the general ledger.

Recommendation: We recommend that the unpaid invoice report be reconciled to the general ledger balances and any discrepancies be investigated and resolved.

Response: We are currently working with Caselle to determine whether a problem exists in the posting of the accounts payable.

07-02. Sufficient Governmental Accounting Expertise – prior year reissued.

Finding: Professional standards indicate that it may be a significant deficiency in the Town's internal controls when the Town personnel do not have sufficient

expertise to select and apply generally accepted accounting principles and prepare the Town's financial statements. It is our opinion that the Town's personnel lack that level of expertise in the governmental accounting field.

Recommendation: We suggest the Town consider providing its accounting personnel with the appropriate training, as considered cost effective, to provide them with the needed accounting expertise.

Response: The Town staff prepared the Management's Discussion and Analysis for the fiscal year under audit. We will review the cost-effectiveness of providing additional training to our accounting personnel to enable them to prepare the financial statements.

07-03. Capital Asset Inventory – prior year reissued.

Finding: An annual capital asset inventory is an integral step in managing and safeguarding the assets of the Town. A capital asset inventory was not conducted this past year.

Recommendation: We recommend that a capital asset inventory be conducted at least annually to verify that assets listed in the accounting records are physically present and operational. Information obtained from the inventory should be communicated to accounting personnel and reconciled to the detail asset lists maintained by the Town.

Response: We are currently looking into ways to maintain the capital asset inventory in a cost-effective manner.

10-02. Fidelity Bond Coverage.

Finding: Utah code 51-7-15 and rule 4 of the Utah Money Management Act require that every public treasurer shall secure a fidelity bond, the amount of which is calculated in relation to the total budgeted gross revenue for that entity. The fidelity bond currently in place is not sufficient to meet the requirement.

Recommendation: We recommend the Town increase the fidelity bond coverage of the Public Treasurer to the amounts required by State Law.

Response: The fidelity bond increase was an oversight and has been rectified.

09-01. Budgetary Compliance – prior year reissued.

Finding: Utah law states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that two departments exceeded final appropriation amounts for the fiscal year ended June 30, 2009 and 2010.

Recommendation: We recommend that the Town closely monitor the expenditures for each department to ensure that budget overruns do not occur in future fiscal years.

Response: We will be diligent in ensuring that budget overruns do not occur in future fiscal years.

Sincerely,



Richard D. Wixom  
Town Manager