

Town of Springdale
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

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Independent Auditors' Report

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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These 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, 2011, 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 December 15, 2011, 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 required 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



HINTON, BURDICK, HALL & SPILKER, PLLC
December 15, 2011

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, 2011. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$286,572 (including prior period adjustment) which resulted in total assets in excess of total liabilities (net assets) of \$8.1 million at the close of the fiscal year.
- Taxes and other governmental revenues were less than expenses by \$62,040.
- Total business-type revenues exceeded expenses by \$382,612.
- Total revenues from all sources were \$2.6 million.
- The total cost of all Town programs was \$2.27 million
- The General Fund reported excess revenues over expenditures of \$24,385.
- Actual resources received in the General Fund were more than the final budget by \$21,245 while actual expenditures were \$13,293 less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$251,823.
- Total restricted or assigned fund balances in the Capital Projects funds at the close of the year is \$20,972.
- At the end of the current fiscal year there was \$159,894 due to the General fund, \$79,894 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 \$8.14 million as of June 30, 2011 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	
	2011	2010	2011	2010
Current and other assets	\$ 664,066	\$ 655,684	\$ 1,804,576	\$ 1,907,187
Capital assets	1,680,466	1,752,034	8,369,845	8,069,462
Total assets	2,344,532	2,407,718	10,174,421	9,976,649
Long-term liabilities outstanding	243,308	236,820	3,964,952	4,104,832
Other liabilities	45,499	53,133	127,928	138,888
Total liabilities	288,807	289,953	4,092,880	4,243,720
Net assets:				
Invested in capital assets, net of related debt	1,441,129	1,520,509	4,467,205	4,029,890
Restricted	127,783	111,805	365,905	466,744
Unrestricted	486,813	485,451	1,248,431	1,236,295
Total net assets	\$ 2,055,725	\$ 2,117,765	\$ 6,081,541	\$ 5,732,929

Governmental Activities

The cost of all Governmental activities this year was \$1,531,827. As shown on the statement of Changes in Net Assets on the following page, \$166,461 of this cost was paid for by those who directly benefited from the programs; \$47,107 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 \$213,568. General taxes, impact fees, and investment earnings totaled \$1,256,219.

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.

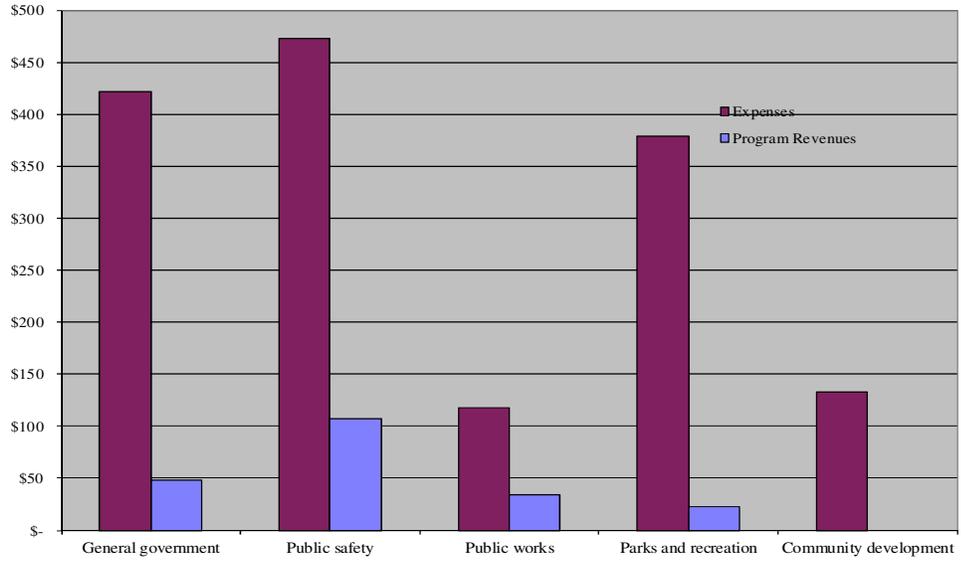
**Springdale Town
Changes in Net Assets**

	Governmental Activities		Business-type Activities	
	2011	2010	2011	2010
Revenues:				
Program revenues:				
Charges for services	\$ 166,461	\$ 210,718	\$ 795,361	\$ 851,517
Operating grants and contributions	31,851	46,539	-	-
Capital grants and contributions	15,256	214,800	243,208	454,710
General revenues:				
Taxes	1,284,166	1,270,023	-	-
Impact fees	3,000	18,000	16,980	24,240
Grants and contributions not restricted to specific programs	-	-	-	-
Other	(30,947)	(18,419)	70,579	55,598
Total revenues	<u>1,469,787</u>	<u>1,741,661</u>	<u>1,126,128</u>	<u>1,386,065</u>
Expenses:				
General government	421,454	466,501	-	-
Public safety	473,049	470,877	-	-
Public works	117,220	138,310	-	-
Parks and recreation	379,065	314,558	-	-
Community development	132,472	138,530	-	-
Interest on long-term debt	8,567	10,187	-	-
Water	-	-	396,762	392,505
Sewer	-	-	223,960	220,750
Irrigation	-	-	48,562	38,291
Building Authority	-	-	74,232	74,368
Total expenses	<u>1,531,827</u>	<u>1,538,963</u>	<u>743,516</u>	<u>725,914</u>
Increase in net assets	(62,040)	202,698	382,612	660,151
Net assets, beginning	2,117,765	1,915,067	5,732,929	5,072,778
Prior period adjustment	-	-	(34,000)	-
Net assets, ending	<u>\$ 2,055,725</u>	<u>\$ 2,117,765</u>	<u>\$ 6,081,541</u>	<u>\$ 5,732,929</u>

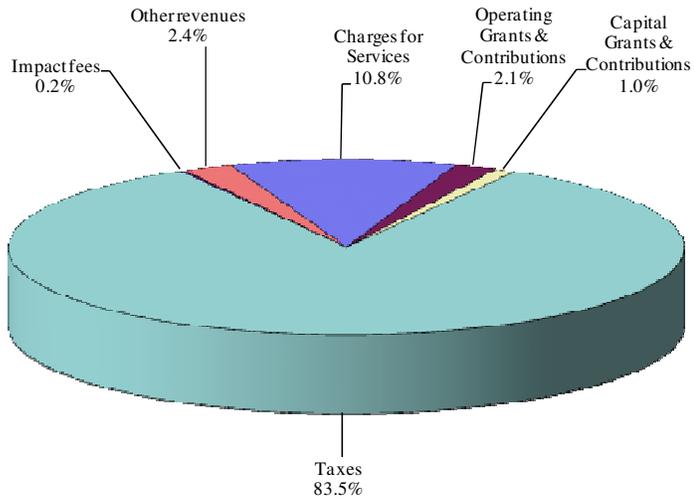
Total resources available during the year to finance governmental operations were \$3.58 million consisting of Net assets at July 1, 2010 of \$2.1 million, program revenues of \$213,568 and General Revenues (including transfers) of \$1,256,219. Total cost of Governmental Activities during the year was \$1,531,827; thus Governmental Net Assets were decreased by \$62,040 to \$2.06 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



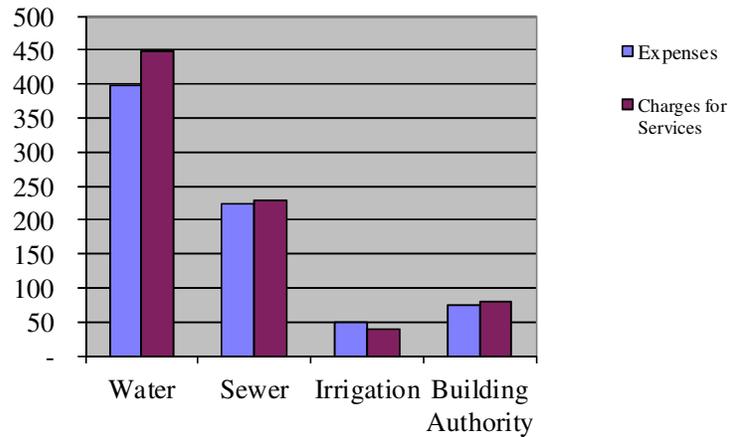
Revenue By Source - Governmental Activities



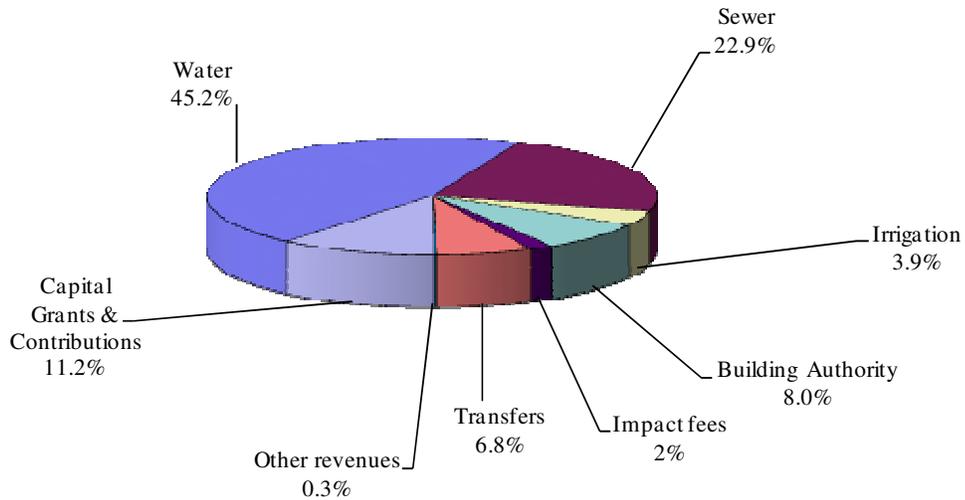
Business Type Activities

Net assets of the Business Type activities at June 30, 2011, as reflected in the Statement of Net Assets were \$6.08 million. The cost of providing all Proprietary (Business Type) activities this year was \$743,516. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$795,361 and there were \$243,208 subsidized by capital grants and contributions. Interest earnings, transfers, and other revenues were \$87,559. The Net Assets increased by \$382,612.

**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 \$13,293 more than actual expenditures. Actual revenues were more than the final budget by \$21,245. 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 2011, net capital assets of the governmental activities totaled \$1.68 million and the net capital assets of the business-type activities totaled \$8.37 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 \$243,300 in governmental type debt, and \$3.96 million in proprietary debt. The debt is a liability of the government. During the current fiscal year, the Town's total debt decreased by \$167,391. (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 2011/2012, 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, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 334,759	\$ 1,279,199	\$ 1,613,958
Receivables (net of allowance)	19,518	133,798	153,316
Internal balances	79,894	(79,894)	-
Prepays	170	-	170
Deferred Charges	3,971	65,514	69,485
Temporarily restricted assets:			
Cash and cash equivalents	225,755	405,959	631,714
Capital assets (net of accumulated depreciation):			
Land	318,300	132,444	450,744
Buildings	406,577	1,177,509	1,584,086
Improvements	424,189	854,442	1,278,631
Furniture and fixtures	2,703	33,669	36,372
Machinery and equipment	1,374	127,751	129,125
Automobiles and trucks	71,687	16,331	88,018
Infrastructure	455,636	-	455,636
Water rights	-	158,900	158,900
Distribution system	-	5,868,799	5,868,799
Total assets	<u>\$ 2,344,533</u>	<u>\$ 10,174,421</u>	<u>\$ 12,518,954</u>
Liabilities			
Accounts payable and other current liabilities	\$ 32,319	\$ 30,345	\$ 62,664
Deferred revenue	-	95,028	95,028
Customer deposits	13,180	2,555	15,735
Noncurrent liabilities:			
Due within one year	80,940	177,880	258,820
Due in more than one year	162,368	3,787,072	3,949,440
Total liabilities	<u>288,807</u>	<u>4,092,880</u>	<u>4,381,687</u>
Net Assets			
Invested in capital assets, net of related debt	1,441,129	4,467,205	5,908,334
Restricted for:			
Debt service	-	405,959	405,959
Capital projects	-	-	-
Other purposes	124,783	-	124,783
Unrestricted	489,814	1,208,377	1,698,191
Total net assets	<u>\$ 2,055,726</u>	<u>\$ 6,081,541</u>	<u>\$ 8,137,267</u>

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

**Town of Springdale
Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 421,454	\$ 43,980	\$ 4,565	\$ -	\$ (372,909)	\$ -	\$ (372,909)
Public safety	473,049	99,583	8,022	-	(365,444)	-	(365,444)
Public works	117,220	-	19,264	15,256	(82,700)	-	(82,700)
Parks and recreation	379,065	22,898	-	-	(356,167)	-	(356,167)
Community development	132,472	-	-	-	(132,472)	-	(132,472)
Interest on long-term debt	8,567	-	-	-	(8,567)	-	(8,567)
Total governmental activities	1,531,827	166,461	31,851	15,256	(1,318,259)	-	(1,318,259)
Business-type activities:							
Water	396,762	449,474	-	131,981	-	184,693	184,693
Sewer	223,960	227,468	-	111,227	-	114,735	114,735
Irrigation	48,562	39,076	-	-	-	(9,486)	(9,486)
Building Authority	74,232	79,343	-	-	-	5,111	5,111
Total business-type activities	743,516	795,361	-	243,208	-	295,053	295,053
Total primary government	\$ 2,275,343	\$ 961,822	\$ 31,851	\$ 258,464	(1,318,259)	295,053	(1,023,206)
General Revenues:							
Taxes:							
Property taxes levied for general purposes					60,089	-	60,089
Sales and use taxes					271,106	-	271,106
Franchise taxes					73,303	-	73,303
Resort taxes					681,354	-	681,354
Transient room taxes					190,328	-	190,328
Telecommunications tax					7,986	-	7,986
Impact fees					3,000	16,980	19,980
Unrestricted investment earnings					9,197	2,624	11,821
Miscellaneous					27,811	-	27,811
Transfers					(67,955)	67,955	-
Total general revenues & transfers					1,256,219	87,559	1,343,778
Change in net assets					(62,040)	382,612	320,572
Net assets - beginning					2,117,766	5,732,929	7,850,695
Prior period adjustment					-	(34,000)	(34,000)
Net assets - ending					\$ 2,055,726	\$ 6,081,541	\$ 8,137,267

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

**Town of Springdale
Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 334,759	\$ -	\$ 334,759
Receivables (net of allowance)	2,900	-	2,900
Due from other governments	16,618	-	16,618
Due from other funds	159,894	-	159,894
Prepaid expenses	170	-	170
Restricted cash and cash equivalents	124,783	100,972	225,755
Total Assets	\$ 639,124	\$ 100,972	\$ 740,096
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,026	\$ -	\$ 19,026
Accrued liabilities	13,293	-	13,293
Customer deposits	13,180	-	13,180
Due to other funds	-	80,000	80,000
Total Liabilities	45,499	80,000	125,499
Fund balances:			
Restricted	124,783	3,000	127,783
Assigned	217,019	17,972	234,991
Unassigned	251,823	-	251,823
Total fund balances	593,625	20,972	614,597
Total liabilities and fund balances	\$ 639,124	\$ 100,972	

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.	1,680,466
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not	(239,337)
Net assets of governmental activities	\$ 2,055,726

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, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 58,201	\$ -	\$ 58,201
Fees in lieu of property taxes	1,888	-	1,888
Sales and use taxes	271,104	-	271,104
Franchise taxes	73,303	-	73,303
Resort taxes	681,354	-	681,354
Transient room taxes	190,328	-	190,328
Telecommunications tax	7,986	-	7,986
Licenses, Permits and Fees	26,893	-	26,893
Impact fees	-	3,000	3,000
Intergovernmental	47,108	-	47,108
Contributions and other	97,710	-	97,710
Fines and Forfeitures	40,256	-	40,256
Interest	8,187	1,010	9,197
Miscellaneous	29,414	-	29,414
Total revenues	<u>1,533,732</u>	<u>4,010</u>	<u>1,537,742</u>
Expenditures			
Current:			
General government	394,815	-	394,815
Public safety	519,596	-	519,596
Public works	78,266	-	78,266
Culture and recreation	340,165	-	340,165
Community development	131,260	-	131,260
Debt service	45,245	-	45,245
Total expenditures	<u>1,509,347</u>	<u>-</u>	<u>1,509,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,385</u>	<u>4,010</u>	<u>28,395</u>
Other Financing Sources (Uses)			
Lease proceeds	56,900	-	56,900
Transfers out	(70,000)	-	(70,000)
Transfers in	2,045	-	2,045
Total other financing sources and uses	<u>(11,055)</u>	<u>-</u>	<u>(11,055)</u>
Net change in fund balance	13,330	4,010	17,340
Fund balance, beginning of year	<u>580,295</u>	<u>16,962</u>	<u>597,257</u>
Fund balance, end of year	<u>\$ 593,625</u>	<u>\$ 20,972</u>	<u>\$ 614,597</u>

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, 2011

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

Net change in fund balances - total governmental funds	\$	17,340
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 depreciation exceeded capital outlays in the current period.		(53,526)
In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.		(18,042)
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.		(56,900)
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.		66,639
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.		(16,229)
Change in net assets of governmental activities	<u>\$</u>	<u>(62,040)</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 54,749	\$ 57,486	\$ 58,201	\$ 715
Fees in lieu of property taxes	1,500	1,690	1,888	198
Sales and use taxes	267,000	270,000	271,104	1,104
Franchise taxes	61,000	61,000	73,303	12,303
Resort taxes	650,000	670,000	681,354	11,354
Transient room taxes	175,000	190,000	190,328	328
Telecommunications tax	9,500	9,500	7,986	(1,514)
Licenses, Permits and Fees	31,200	27,756	26,893	(863)
Intergovernmental	25,000	47,085	47,108	23
Contributions and other	78,500	98,831	97,710	(1,121)
Fines and Forfeitures	50,000	40,000	40,256	256
Interest	14,500	10,147	8,187	(1,960)
Miscellaneous	44,700	28,992	29,414	422
Total revenues	<u>1,462,649</u>	<u>1,512,487</u>	<u>1,533,732</u>	<u>21,245</u>
Expenditures				
Current:				
General government	346,562	391,022	394,815	(3,793)
Public safety	465,479	526,398	519,596	6,802
Public works	114,361	80,028	78,266	1,762
Culture and recreation	327,253	345,890	340,165	5,725
Community development	152,654	134,057	131,260	2,797
Debt service	45,245	45,245	45,245	-
Total expenditures	<u>1,451,554</u>	<u>1,522,640</u>	<u>1,509,347</u>	<u>13,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,095</u>	<u>(10,153)</u>	<u>24,385</u>	<u>34,538</u>
Other Financing Sources (Uses)				
Lease proceeds	-	56,900	56,900	-
Transfers out	(70,000)	(70,000)	(70,000)	-
Transfers in	-	2,045	2,045	-
Total other financing sources and uses	<u>(70,000)</u>	<u>(11,055)</u>	<u>(11,055)</u>	<u>-</u>
Net change in fund balance	(58,905)	(21,208)	13,330	34,538
Fund balance, beginning of year	<u>580,295</u>	<u>580,295</u>	<u>580,295</u>	<u>-</u>
Fund balance, end of year	<u>\$ 521,390</u>	<u>\$ 559,087</u>	<u>\$ 593,625</u>	<u>\$ 34,538</u>

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

**Town of Springdale
Statement of Net Assets
Proprietary Funds
June 30, 2011**

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 155,961	\$ 785,994	\$ 57,623	\$ 279,621	\$ 1,279,199
Receivables, net of allowance	53,432	48,515	11,851	20,000	133,798
Bond issuance costs, net of accumulated amortization	31,418	-	-	34,096	65,514
Total current assets	<u>240,811</u>	<u>834,509</u>	<u>69,474</u>	<u>333,717</u>	<u>1,478,511</u>
Noncurrent assets:					
Restricted cash and cash equivalents	276,840	89,065	-	40,054	405,959
Capital assets:					
Land	-	132,444	-	-	132,444
Distribution system	6,036,142	1,908,788	-	-	7,944,930
Furniture and fixtures	-	-	-	77,514	77,514
Machinery and equipment	67,510	187,539	-	-	255,049
Automobiles and trucks	44,604	64,774	-	-	109,378
Buildings	-	-	-	1,313,898	1,313,898
Improvements other than buildings	129,014	517,846	687,272	-	1,334,132
Water rights	100,000	-	58,900	-	158,900
Less: Accumulated depreciation	(1,002,275)	(1,485,917)	(287,975)	(180,233)	(2,956,400)
Total noncurrent assets	<u>5,651,835</u>	<u>1,414,539</u>	<u>458,197</u>	<u>1,251,233</u>	<u>8,775,804</u>
Total assets	<u>\$ 5,892,646</u>	<u>\$ 2,249,048</u>	<u>\$ 527,671</u>	<u>\$ 1,584,950</u>	<u>\$ 10,254,315</u>
Liabilities					
Current Liabilities:					
Accounts payable	\$ 7,053	\$ 282	\$ 258	\$ -	\$ 7,593
Accrued liabilities	15,958	-	-	6,794	22,752
Customer deposits	2,555	-	-	-	2,555
Due to other funds	79,894	-	-	-	79,894
Deferred revenue	95,028	-	-	-	95,028
Current portion of long-term debt	141,080	6,800	-	30,000	177,880
Total current liabilities	<u>341,568</u>	<u>7,082</u>	<u>258</u>	<u>36,794</u>	<u>385,702</u>
Noncurrent liabilities:					
Compensated absences	3,592	-	-	-	3,592
Notes payable (net of current portion)	-	20,400	-	-	20,400
Bonds payable (net of current portion)	2,706,080	-	-	1,057,000	3,763,080
Total noncurrent liabilities	<u>2,709,672</u>	<u>20,400</u>	<u>-</u>	<u>1,057,000</u>	<u>3,787,072</u>
Total liabilities	<u>3,051,240</u>	<u>27,482</u>	<u>258</u>	<u>1,093,794</u>	<u>4,172,774</u>
Net Assets					
Invested in capital assets, net of related debt	2,559,253	1,298,274	458,197	151,481	4,467,205
Restricted	276,840	89,065	-	40,054	405,959
Unrestricted	5,313	834,227	69,216	299,621	1,208,377
Total net assets	<u>\$ 2,841,406</u>	<u>\$ 2,221,566</u>	<u>\$ 527,413</u>	<u>\$ 491,156</u>	<u>\$ 6,081,541</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, 2011

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Operating revenues:					
Charges for services	\$ 390,719	\$ 223,408	\$ 39,076	\$ -	\$ 653,203
Garbage collection revenue	30,634	-	-	-	30,634
Other revenues	28,121	4,060	-	79,343	111,524
Total operating revenues	<u>449,474</u>	<u>227,468</u>	<u>39,076</u>	<u>79,343</u>	<u>795,361</u>
Operating expenses:					
Salaries, wages and benefits	182,555	88,346	17,614	-	288,515
Office expenses and travel	7,566	5,433	1,870	-	14,869
Repairs and maintenance	35,724	12,464	4,750	-	52,938
Utilities	25,313	7,643	7,657	-	40,613
Legal and professional fees	8,766	23,814	-	1,344	33,924
Garbage collection	30,060	-	-	-	30,060
Contract services	5,134	1,554	500	-	7,188
Insurance	8,251	5,000	-	1,144	14,395
Miscellaneous	3,925	599	1,140	-	5,664
Depreciation	81,603	79,107	15,031	44,025	219,766
Total operating expenses	<u>388,897</u>	<u>223,960</u>	<u>48,562</u>	<u>46,513</u>	<u>707,932</u>
Operating income (loss)	<u>60,577</u>	<u>3,508</u>	<u>(9,486)</u>	<u>32,830</u>	<u>87,429</u>
Non-operating revenues (expenses)					
Interest income	1,060	1,126	-	438	2,624
Interest expense and fiscal charges	(7,865)	-	-	(27,719)	(35,584)
Grants	121,131	111,227	-	-	232,358
Connection and impact fees	16,940	40	-	-	16,980
Total non-operating revenues (expenses)	<u>131,266</u>	<u>112,393</u>	<u>-</u>	<u>(27,281)</u>	<u>216,378</u>
Income (loss) before contributions and transfers	191,843	115,901	(9,486)	5,549	303,807
Capital contributions	10,850	-	-	-	10,850
Transfers from other funds	60,000	-	-	10,000	70,000
Transfers to other funds	-	-	-	(2,045)	(2,045)
Change in net assets	262,693	115,901	(9,486)	13,504	382,612
Total net assets, beginning of year	2,578,713	2,139,665	536,899	477,652	5,732,929
Prior period adjustment	-	(34,000)	-	-	(34,000)
Total net assets, end of year	<u>\$ 2,841,406</u>	<u>\$ 2,221,566</u>	<u>\$ 527,413</u>	<u>\$ 491,156</u>	<u>\$ 6,081,541</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, 2011**

	Water Fund	Sewer Fund	Irrigation Fund	Building Authority	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 430,893	\$ 204,795	\$ 30,159	\$ -	\$ 665,847
Cash received from customers, other	28,121	4,060	-	69,343	101,524
Cash paid to suppliers	(128,699)	(58,722)	(18,517)	(2,488)	(208,426)
Cash paid to employees	(182,555)	(88,346)	(17,614)	-	(288,515)
Net cash flows from operating activities	<u>147,760</u>	<u>61,787</u>	<u>(5,972)</u>	<u>66,855</u>	<u>270,430</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds (to) from other funds	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>7,955</u>	<u>28,955</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from capital asset grants	121,131	111,227	-	-	232,358
Purchase of capital assets	(293,265)	(193,336)	(15,000)	(10,698)	(512,299)
Principal paid on long-term debt	(138,080)	(6,800)	-	(29,000)	(173,880)
Interest paid	(6,496)	-	-	(26,557)	(33,053)
Connection & impact fees	<u>16,940</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>16,980</u>
Net cash flows from capital and related financing activities	<u>(296,769)</u>	<u>(88,869)</u>	<u>(15,000)</u>	<u>(66,255)</u>	<u>(466,893)</u>
Cash Flows From Investing Activities:					
Interest on investments	<u>1,060</u>	<u>1,126</u>	<u>-</u>	<u>438</u>	<u>2,624</u>
Net change in Cash and Cash Equivalents	(126,949)	(25,956)	(20,972)	8,993	(164,884)
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year (including restricted cash)	<u><u>\$ 432,801</u></u>	<u><u>\$ 875,059</u></u>	<u><u>\$ 57,623</u></u>	<u><u>\$ 319,675</u></u>	<u><u>\$ 1,685,158</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Net Operating Income/(Loss)	\$ 60,577	\$ 3,508	\$ (9,486)	\$ 32,830	\$ 87,429
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	81,603	79,107	15,031	44,025	219,766
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	11,128	(18,613)	(8,917)	(10,000)	(26,402)
Increase/(Decrease) in accounts payable	(3,960)	(2,215)	(2,600)	-	(8,775)
Increase/(Decrease) in customer deposits	<u>(1,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,588)</u>
Net cash flows from operating activities	<u><u>\$ 147,760</u></u>	<u><u>\$ 61,787</u></u>	<u><u>\$ (5,972)</u></u>	<u><u>\$ 66,855</u></u>	<u><u>\$ 270,430</u></u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	10,850	-	-	-	

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

Town of Springdale

Notes to the Financial Statements June 30, 2011

Note 1. Summary of Significant Accounting Policies

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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.

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 1. Summary of Significant Accounting Policies, Continued

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.

Town of Springdale

Notes to the Financial Statements June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Net Assets and Fund Equity

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the Town's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

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

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets are 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.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance 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.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Town Council. A resolution, ordinance or vote by the Town Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

Town of Springdale

Notes to the Financial Statements June 30, 2011

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

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	\$	123,000
Less: Deferred amounts for issuance costs		(3,970)
Capital Lease Payable		68,955
Compensated Absences Payable		51,352
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	<u>239,337</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	\$	56,900
Depreciation Expense		<u>(110,426)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(53,526)</u>

Town of Springdale

Notes to the Financial Statements June 30, 2011

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

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	\$ 38,000
Payments on capital leases	<u>28,639</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 66,639</u>

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 3. Stewardship, Compliance, and Accountability

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, 2011

Note 4. Deposits and Investments

Listed below is a summary of the cash and temporary cash investment portfolio of the Town as of June 30, 2011. All investments are governed by the Utah Money Management Act.

Unrestricted amounts	\$ 1,613,958
Restricted amounts	<u>631,713</u>
	<u>\$ 2,245,671</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, 2011, 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, 2011**

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, 2011 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	\$ 152,227	\$ 152,227	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,027,567	2,027,567	-	-	-
Total Fair Value	\$ 2,179,794	\$ 2,179,794	\$ -	\$ -	\$ -

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

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, 2011 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Zions Bank					
Treasury Obligations	\$ 152,227	\$ 152,227	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	2,027,567	-	-	-	2,027,567
Total Fair Value	\$ 2,179,794	\$ 152,227	\$ -	\$ -	\$ 2,027,567

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets, not being depreciated:				
Land	\$ 318,300	\$ -	\$ -	\$ 318,300
Construction in progress	152,835	-	152,835	-
Total capital assets, not being depreciated	471,135	-	152,835	318,300
Capital assets, being depreciated:				
Buildings	586,063	-	-	586,063
Improvements	784,913	-	-	784,913
Furniture and fixtures	120,096	-	-	120,096
Computer equipment	60,027	-	-	60,027
Machinery and equipment	86,449	-	-	86,449
Automobiles and trucks	175,026	56,900	34,037	197,889
Infrastructure	444,438	152,835	-	597,273
Total capital assets, being depreciated	2,257,012	209,735	34,037	2,432,710
Less accumulated depreciation for:				
Buildings	(164,834)	(14,652)	-	(179,486)
Improvements	(320,727)	(39,997)	-	(360,724)
Furniture and fixtures	(115,800)	(1,593)	-	(117,393)
Computer equipment	(60,027)	-	-	(60,027)
Machinery and equipment	(83,626)	(1,449)	-	(85,075)
Automobiles and trucks	(123,006)	(19,191)	(15,995)	(126,202)
Infrastructure	(108,093)	(33,544)	-	(141,637)
Total accumulated depreciation	(976,113)	(110,426)	(15,995)	(1,070,544)
Total capital assets, being depreciated, net	1,280,899	99,309	18,042	1,362,166
Governmental activities capital assets, net	\$ 1,752,034	\$ 99,309	\$ 170,877	\$ 1,680,466

Town of Springdale

Notes to the Financial Statements June 30, 2011

Note 5. Capital Assets, Continued

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

Governmental Activities:

General government	\$ 20,562
Public safety	9,835
Highways	39,927
Parks and recreation	38,890
Community development	1,212
Total depreciation expense - governmental activities	\$ 110,426

Business Type Activities:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets not being depreciated:				
Land	\$ 132,444	\$ -	\$ -	\$ 132,444
Water rights	143,900	15,000	-	158,900
Construction in progress	2,867,013	158,044	3,025,057	-
Total capital assets, not being depreciated	3,143,357	173,044	3,025,057	291,344
Capital assets being depreciated:				
Distribution system	4,909,023	3,035,907	-	7,944,930
Furniture and fixtures	77,514	-	-	77,514
Machinery and equipment	231,185	23,864	-	255,049
Automobiles and trucks	101,128	18,538	10,288	109,378
Buildings	1,303,200	10,698	-	1,313,898
Improvements	1,047,977	286,155	-	1,334,132
Total capital assets, being depreciated	7,670,027	3,375,162	10,288	11,034,901
Less accumulated depreciation for:				
Distribution system	(1,958,639)	(117,492)	-	(2,076,131)
Furniture and fixtures	(34,238)	(9,607)	-	(43,845)
Machinery and equipment	(103,417)	(23,881)	-	(127,298)
Automobiles and trucks	(97,304)	(3,030)	(7,287)	(93,047)
Buildings	(101,971)	(34,418)	-	(136,389)
Improvements	(448,353)	(31,337)	-	(479,690)
Total accumulated depreciation	(2,743,922)	(219,765)	(7,287)	(2,956,400)
Total capital assets, being depreciated, net	4,926,105	3,155,397	3,001	8,078,501
Business-type activities capital assets, net	\$ 8,069,462	\$ 3,328,441	\$ 3,028,058	\$ 8,369,845

Town of Springdale

Notes to the Financial Statements June 30, 2011

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

	** Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
Governmental Activities:					
Revenue bonds	\$ 161,000	\$ -	\$ (38,000)	\$ 123,000	\$ 39,000
Less deferred amounts:					
For issuance costs	(5,293)	-	1,323	(3,970)	-
Total bonds payable	155,707	-	(36,677)	119,030	39,000
Capital leases	40,695	56,900	(28,640)	68,955	16,264
Compensated absences	35,123	33,791	(17,562)	51,352	25,676
Governmental activity					
Long-term liabilities	<u>\$ 231,525</u>	<u>\$ 90,691</u>	<u>\$ (82,879)</u>	<u>\$ 239,337</u>	<u>\$ 80,940</u>
Business-type Activities:					
Revenue bonds	\$ 4,101,240	\$ -	\$ (167,080)	\$ 3,934,160	\$ 171,080
Less deferred amounts:					
For issuance costs	(68,643)	-	3,129	(65,514)	-
Total bonds payable	4,032,597	-	(163,951)	3,868,646	171,080
Advance from the State of Utah	34,000	-	(6,800)	27,200	6,800
Compensated absences	3,592	-	-	3,592	-
Business type activity					
Long-term liabilities	<u>\$ 4,070,189</u>	<u>\$ -</u>	<u>\$ (170,751)</u>	<u>\$ 3,899,438</u>	<u>\$ 177,880</u>
Total long-term liabilities	<u>\$ 4,301,714</u>	<u>\$ 90,691</u>	<u>\$ (253,630)</u>	<u>\$ 4,138,775</u>	<u>\$ 258,820</u>

** Debt payable to Utah State was recorded as a prior period adjustment. See footnote 15.

Bonds payable at June 30, 2011 is comprised of the following issues:

Loans payable:

Sewer Fund:

Advance from the Utah Water Quality Board due in annual installments of \$6,800; interest free, maturing December 31, 2014.

27,200

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.

123,000

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 6. Long-Term Debt, Continued

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. 784,000

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. 144,000

Water Revenue Bonds Series 1987A, due in annual installments of \$17,080 interest free, maturing January 2013, payable from water fund revenues. 34,160

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. 1,885,000

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. 1,087,000

Total revenue bonds 4,057,160

Capital leases 68,955

Compensated absences 54,944

Less: Deferred amounts for issuance costs

Business-type activities (65,514)

Governmental-type activities (3,970)

Total bond issue costs (69,484)

Total long-term debt 4,138,775

Less: Current portion

Business-type activities (177,880)

Governmental-type activities (80,940)

Net long-term debt \$ 3,879,955

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 6. Long-Term Debt, Continued

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, 2011 are as follows:

Fiscal Year Ended June 30	Governmental-type Activities	
	2004A Revenue Bonds	
	Principal	Interest
2012	\$ 39,000	\$ 5,536
2013	41,000	3,780
2014	43,000	1,934
Total	<u>\$ 123,000</u>	<u>\$ 11,250</u>

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 6. Long-Term Debt, Continued

Fiscal Year Ended June 30	Business-type Activities					
	Water		Municipal Building Authority		Sewer	
	Revenue Bonds		Lease Revenue Bonds		Note payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 141,080	\$ 35,681	\$ 30,000	\$ 27,175	\$ 6,800	\$ -
2013	142,080	32,775	31,000	26,425	6,800	-
2014	127,000	29,785	32,000	25,650	6,800	-
2015	80,000	26,701	32,000	24,850	6,800	-
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>\$ 2,847,160</u>	<u>\$ 372,462</u>	<u>\$ 1,087,000</u>	<u>\$ 403,850</u>	<u>\$ 27,200</u>	<u>\$ -</u>

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 7. Capital Lease Payable

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 3.34% and 5.778% respectively together with the present value of the net minimum lease payments:

	Year Ending June 30,	Police Vehicles Lease	Truck Lease	Total
	2012	\$ 12,452	\$ 6,475	\$ 18,927
	2013	12,451	6,475	18,926
	2014	12,451	6,475	18,926
	2015	12,452	-	12,452
	2016	6,226	-	6,226
Total remaining minimum lease payments		56,032	19,425	75,457
Less amount representing interest		(4,406)	(2,096)	(6,502)
Present value of net remaining minimum lease payments		\$ 51,626	\$ 17,329	\$ 68,955

Note 8. Accounts Receivable

Accounts receivable consists of the following:

Water Fund

Water Fees	\$ 51,384
Garbage Fees	4,246
Miscellaneous	15
Penalties	24,219
Due from other governments	15,774
Total Water Fund accounts receivable	95,638
Less: Allowance for doubtful accounts	(42,206)
Water Fund accounts receivable (net of allowance)	53,432

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 8. Accounts Receivable, Continued

Sewer Fund

Sewer Fees	37,048
Due from other governments	23,179
Total Sewer Fund accounts receivable	<u>60,227</u>
Less: Allowance for doubtful accounts	<u>(11,712)</u>
Sewer Fund accounts receivable (net of allowance)	<u>48,515</u>

Irrigation Fund

Irrigation Fees	4,514
Due from other governments	8,830
Total Sewer Fund accounts receivable	<u>13,344</u>
Less: Allowance for doubtful accounts	<u>(1,493)</u>
Irrigation Fund accounts receivable (net of allowance)	<u>11,851</u>

Municipal Building Authority Fund

Due from other governments	20,000
Less: Allowance for doubtful accounts	-
MBA Fund account receivable (net of allowance)	<u>20,000</u>
Total accounts receivable (net of allowance)	<u><u>\$ 133,798</u></u>

Note 9. Interfund Transactions and Balances

As of June 30, 2011, interfund receivables and payables were as follows:

Due To	Due From		Total
	Water Fund	Parks Fund	
General Fund	<u>\$ 79,894</u>	<u>\$ 80,000</u>	<u>\$ 159,894</u>
Total	<u><u>\$ 79,894</u></u>	<u><u>\$ 80,000</u></u>	<u><u>\$ 159,894</u></u>

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 9. Interfund Transactions and Balances, Continued

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, 2011 are as follows:

Transfers From	Transfers To				Total
	Water Fund	Irrigation Fund	Building Authority	General Fund	
General Fund	\$ 60,000	\$ -	\$ 10,000	\$ -	\$ 70,000
Building Authority	-	-	-	2,045	2,045
Total	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 2,045</u>	<u>\$ 72,045</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.

Town of Springdale

**Notes to the Financial Statements
June 30, 2011**

Note 10. Equity Classifications

At June 30, 2011, the Town's restricted, committed and assigned fund balances are as follows:

Governmental Fund Balances

	Restricted Purposes	Assigned Purposes
General Fund		
CDBG Grant Funds	\$ 14,960	\$ -
Class C Roads	85,248	-
State Liquor Funds	24,575	-
Fiscal year 2012 Appropriations	-	217,019
	\$ 124,783	\$ 217,019
Parks Capital Projects Funds		
Impact Fees - Parks	\$ -	\$ -
Capital Projects - Parks	-	-
	\$ -	\$ -
Streets Capital Projects Funds		
Capital Projects - Streets	\$ -	\$ 10,374
	\$ -	\$ 10,374

Business-Type Net Assets

	Restricted Purposes
Water Fund	
1995A Water Bond Reserves	\$ 76,002
1987A Water Bond Reserves	27,044
2004 Water Bond Construction Fund	49,180
2010 Bond Sinking Fund	90,494
2010 Water Tank Bond Reserve	16,851
2009 Water Bond Project Funds	17,269
	\$ 276,840
Sewer Fund	
1995 Sewer Bond Reserves	\$ 89,065
	\$ 89,065
Building Authority	
Repair and Replacement Fund	\$ 40,054
	\$ 40,054

Town of Springdale

Notes to the Financial Statements June 30, 2011

Note 11. Defined Benefit Pension Plan

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 13.37% of their annual covered salary. In the Public Safety Noncontributory Retirement System, the Town of Springdale is required to contribute 26.13% 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, 2011**

Note 11. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2010/2011 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
Noncontributory System:				
Local Governmental Division				
2011	N/A	N/A	\$ 68,526.10	\$ 512,538.90
2010	N/A	N/A	57,464.68	492,837.06
2009	N/A	N/A	56,751.14	488,394.05
Public Safety System:				
Other Division A Noncontributory				
2011	N/A	N/A	\$ 22,093.69	\$ 84,552.73
2010	N/A	N/A	19,017.48	81,480.31
2009	N/A	N/A	18,038.48	79,780.67
Defined Contribution System:				
457 Plan				
2011	\$ 5,850.00	\$ -		
2010	5,850.00	-		
2009	5,800.00	-		
Defined Contribution System:				
401 (k) Plan				
2011	\$ 10,790.00	\$ 12,326.18		
2010	10,790.00	30,534.48		
2009	11,755.00	24,494.51		

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, 2011

Note 13. Garbage Contract

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.

Note 14. Contingencies and Commitments

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, 2011 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.

Note 15. Prior Period Adjustment

During fiscal year 2010 the Town received an advance from the Utah Department of Environmental Quality, Utah Water Quality Board to fund a sewer master plan. That advance was mistakenly recorded as revenue in the Sewer fund rather than as a liability. A prior period adjustment was recorded to correct this misstatement, the net effect of which decreases beginning fund net assets in the Sewer fund and increases liabilities by \$34,000.

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

The Parks Capital Projects Fund is used to account for the construction of parks facilities and improvements.

COMBINING STATEMENTS

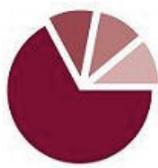
**Town of Springdale
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	<u>Capital Projects</u>		Total Nonmajor Governmental Funds
	<u>Parks</u>	<u>Streets</u>	
Assets			
Restricted cash and cash equivalents	\$ 90,598	\$ 10,374	\$ 100,972
Total assets	<u>\$ 90,598</u>	<u>\$ 10,374</u>	<u>\$ 100,972</u>
Liabilities and Fund Balances			
Liabilities:			
Due from other funds	\$ 80,000	\$ -	\$ 80,000
Total liabilities	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Fund Balance:			
Nonspendable	-	-	-
Restricted	3,000	-	3,000
Committed	-	-	-
Assigned	7,598	10,374	17,972
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>10,598</u>	<u>10,374</u>	<u>20,972</u>
Total liabilities and fund balances	<u>\$ 90,598</u>	<u>\$ 10,374</u>	<u>\$ 100,972</u>

Town of Springdale
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Capital Projects		Total Nonmajor Governmental Funds
	Parks	Streets	
Revenues			
Impact fees	\$ 3,000	\$ -	\$ 3,000
Intergovernmental revenue	-	-	-
Contributions and other	-	-	-
Investment earnings	\$ 777	\$ 233	\$ 1,010
Total revenues	3,777	233	4,010
Expenditures			
Current:			
Community development	-	-	-
Capital outlay	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	3,777	233	4,010
Other Financing Sources (Uses)			
Transfers out	-	-	-
Transfers in	-	-	-
Net change in fund balances	3,777	233	4,010
Fund balances, beginning of year	6,821	10,141	16,962
Fund balances, end of year	\$ 10,598	\$ 10,374	\$ 20,972

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS



MEMBERS:

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

**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***

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, Utah, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 15, 2011. 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

Management of the Town of Springdale is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Springdale'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 of Springdale'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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 findings and recommendations to be a material weakness:

07-01. Misstatements Requiring Adjustments – prior year reissue

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 deficiency described in the accompanying findings and recommendations to be a significant deficiency:

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Springdale'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*.

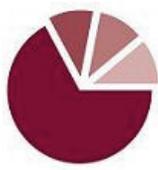
We noted certain matters that we reported to management of the Town in a separate letter dated December 15, 2011.

The Town's responses to the findings identified in our audit are described in their accompanying responses to findings and recommendations. 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 various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



HINTON, BURDICK, HALL, & SPILKER, PLLC
December 15, 2011



MEMBERS:

CHAD B. ATKINSON, CPA
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**Independent Auditors' Report on
Compliance in Accordance with the
*State of Utah Legal Compliance Audit Guide***

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

We have audited the Town of Springdale's compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the Town are identified as follows:

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

The Town received the following major assistance programs from the State of Utah:

- B & C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- Energy Efficiency & Conservation Block Grant (Department of Environmental Quality)

Compliance with the requirements referred to above is the responsibility of the Town's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town of Springdale, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of

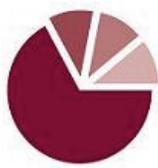
its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated December 15, 2011 as items 11-01, 10-02 and 09-01.

Management's responses to the findings identified in our audit are described in the accompanying letter of responses. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the mayor, town council, town management, and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



HINTON, BURDICK, HALL, & SPILKER, PLLC
December 15, 2011



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**Findings and Recommendations
For the Year Ended June 30, 2011**

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:

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.

COMPLIANCE AND OTHER MATTERS:

Compliance:

11-01. Budget Amendment Hearing

Utah code 10-5-108 requires that notice of a public hearing to adopt or amend the Town's budget must be published at least seven days prior to the hearing. The notices were properly published when the Town adopted its budget and for two of the three times it amended its budget. However, notice was only given five days before the public hearing for one of the amendments.

Recommendation

We recommend the Town publish notices of budget hearing at least seven days prior to the hearing as required by State Law.

10-02. Fidelity Bond Coverage – prior year reissued

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 amount 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 the General Fund had over-expended the General Government budget.

Recommendation

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

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

HINTON, BURDICK, HALL & SPILKER, PLLC
December 15, 2011

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January 17, 2012

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 2011 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.

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.

11-01. Budget Amendment Hearing: Utah code 10-5-108 requires that notice of a public hearing to adopt or amend the Town's budget must be published at least seven days prior to the hearing. The notices were properly published when the Town adopted its budget and for two of the three times it amended its budget. However, notice was only given five days before the public hearing for one of the amendments.

Recommendation: We recommend the Town publish notices of budget hearing at least seven days prior to the hearing as required by State Law.

Response: We will be diligent in our efforts to publish hearing notices in a manner consistent with Utah code.

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: An increase in the fidelity bond was requested but not received. Every effort will be made to complete the bond prior to the dates required.

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 the General Fund had over-expended the General Government budget.

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: The budget overrun was the result of an accounts payable error in a previous year that was addressed in this audit. With the exception of this error, the expenditures of every fund were within budget. We will be diligent in ensuring that budget overruns do not occur in future fiscal years.

Sincerely,



Richard D. Wixom
Town Manager