

Town of Springdale
Washington County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Town of Springdale
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June 30, 2015

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REES CERTIFIED PUBLIC ACCOUNTANT, PC

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Springdale Town, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springdale Town, Utah as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Springdale Town, Utah basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springdale Town, Utah, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Change in Accounting Principle

As discussed in Note 4F to the financial statements, in fiscal year 2015, the Town adopted new accounting guidance *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of Springdale Town, Utah internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Springdale Town, Utah internal control over financial reporting and compliance.

Rees Certified Public Accountant, PC

Rees Certified Public Accountant, PC
Cedar City, Utah
October 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of Town of Springdale (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- *Total net position for the Town as a whole increased by \$718,170.
- *Total unrestricted net position for the Town as a whole increased by \$538,245.
- *Total net position for governmental activities increased by \$707,723.
- *Total net position for business-type activities increased by \$10,447.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Town of Springdale. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation is provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one major governmental fund, the general fund.

The Town adopts an annual appropriated budget for all its governmental funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

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

The Town maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for the operations of the water, sewer, irrigation and Building Authority activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water, sewer, and Building Authority funds are considered major funds of the Town.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

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

FINANCIAL ANALYSIS

Town of Springdale's Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Current and other assets	\$ 2,379,468	1,969,859	2,433,887	2,416,796	4,813,355	4,386,655
Net capital assets	1,932,037	1,705,459	8,225,647	8,390,634	10,157,684	10,096,093
Deferred outflows of resources	65,312	42,925	22,013	14,467	87,325	57,392
Total assets and deferred outflows	<u>4,376,817</u>	<u>3,718,243</u>	<u>10,681,547</u>	<u>10,821,897</u>	<u>15,058,364</u>	<u>14,540,139</u>
Long-term liabilities	57,380	111,847	3,402,213	3,537,800	3,459,593	3,649,647
Other liabilities	358,001	396,120	217,111	246,389	575,111	642,510
Deferred inflows of resources	99,881	56,443	14,070	-	113,951	56,443
Total liabilities and deferred inflows	<u>515,262</u>	<u>564,411</u>	<u>3,633,393</u>	<u>3,784,189</u>	<u>4,148,656</u>	<u>4,348,600</u>
Net position:						
Net investment in capital assets	1,874,657	1,593,612	4,823,434	4,852,834	6,698,091	6,446,446
Restricted	191,514	133,316	219,136	349,055	410,650	482,371
Unrestricted	1,795,384	1,426,904	2,005,584	1,835,819	3,800,968	3,262,723
Total net position	<u>\$ 3,861,555</u>	<u>3,153,832</u>	<u>7,048,154</u>	<u>7,037,707</u>	<u>10,909,709</u>	<u>10,191,540</u>

As noted above, net position may serve over time as a useful indicator of financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by \$10,909,709, an increase of \$718,169 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net position at the end of the year is \$3,800,968, which represents an increase of \$538,245 from the previous year. Unrestricted net position are those resources available to finance day-to-day operations without constraints established by debt covenants or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the amount of debt that has been repaid during the year.

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

FINANCIAL ANALYSIS (continued)

Town of Springdale's Change in Net Position

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 206,867	175,814	910,548	1,050,946	1,117,415	1,226,760
Operating grants	38,632	26,515	-	-	38,632	26,515
Capital grants and contributions	60,924	52,596	-	-	60,924	52,596
General revenues:						
Property taxes	66,999	68,023	-	-	66,999	68,023
Sales tax	446,749	381,713	-	-	446,749	381,713
Other taxes	1,682,091	1,417,676	-	-	1,682,091	1,417,676
Other revenues	105,778	90,773	3,696	3,274	109,474	94,047
Total revenues	<u>2,608,040</u>	<u>2,213,108</u>	<u>914,244</u>	<u>1,054,220</u>	<u>3,522,285</u>	<u>3,267,329</u>
Expenses:						
General government	391,617	381,970	-	-	391,617	381,970
Public safety	686,155	601,936	-	-	686,155	601,936
Public works	135,862	149,770	-	-	135,862	149,770
Parks and recreation	446,071	414,276	-	-	446,071	414,276
Community development	179,400	158,219	-	-	179,400	158,219
Interest expense	1,213	4,486	48,754	50,351	49,967	54,836
Water	-	-	530,344	524,261	530,344	524,261
Sewer	-	-	271,099	227,581	271,099	227,581
Irrigation	-	-	75,621	79,713	75,621	79,713
Building Authority	-	-	37,979	38,734	37,979	38,734
Total expenses	<u>1,840,318</u>	<u>1,710,657</u>	<u>963,798</u>	<u>920,639</u>	<u>2,804,116</u>	<u>2,631,296</u>
Excess (deficiency) before transfers	<u>(4,448,358)</u>	<u>502,451</u>	<u>(49,554)</u>	<u>133,581</u>	<u>(8,020,196)</u>	<u>636,033</u>
Transfers in (out)	<u>(60,000)</u>	<u>(60,500)</u>	<u>60,000</u>	<u>60,500</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 707,723</u>	<u>441,951</u>	<u>10,447</u>	<u>194,081</u>	<u>718,170</u>	<u>636,033</u>

For the Town as a whole, total revenues increased by \$254,956 compared to the previous year, while total expenses increased by \$172,820. The total net change of \$718,170 is, in private sector terms, the net income for the year which is \$82,137 more than the previous year's net change (net income).

Governmental activities revenues of \$2,608,040 is \$394,932 more than the previous year. Revenues from taxes increased significantly during the year. Governmental activities expenses of \$1,840,318 is \$129,661 more than the previous year. While public works expenses decreased during the year, all other department expenses increased.

Business-type activities revenue of \$914,244 is \$139,976 less than the previous year. This decrease is due to decreases in charges for services. Business-type activities expenses of \$963,798 were more than the previous year by \$43,159. While Building Authority and irrigation expenses decreased during the year, water and sewer expenses increased.

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

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

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

General Fund

The fund balance of \$1,565,771 reflects a decrease of \$129,207 from the previous year. Total revenues, including other financing sources, increased by \$304,889. Tax revenues increased by \$328,427. Intergovernmental revenue increased by \$12,117. Fines and forfeitures revenue increased by \$25,845. Proceeds from capital leases decreased by \$71,690. All other revenues increased by \$10,190.

Total expenditures, exclusive of transfers out, increased by \$366,506. Current expenditure changes by department were as follows: general government increased by \$38,823, public safety increased by \$95,204, public works decreased by \$10,399, culture and recreation increased by \$39,565 and community development increased by \$28,970. Capital outlay expenditures increased by \$238,176. Debt service expenditures decreased by \$63,833. There were transfers out made during the year that amounted to \$560,000.

Restricted fund balance amounts to \$100,160. The unassigned fund balance amounts to \$1,465,611.

Water Fund

Net operating income for the year was \$48,497. The change in net position (net income) was \$81,878. Net position restricted for bond requirements amounts to \$161,386. Unrestricted net position amounts to \$667,844.

Sewer Fund

Net operating loss for the year was \$33,592. The change in net position (net loss) was \$147,597. There was no restricted net position, resulting in an unrestricted net position of \$985,605.

Irrigation Fund

Net operating loss for the year was \$47,338. The change net position (net income) was \$89,152. There was no restricted net position, resulting in an unrestricted net position of \$24,922.

Building Authority Fund

Net operating income for the year was \$10,767. The change in net position (net loss) was \$12,987. Net position restricted for bond requirements amounts to \$57,750. Unrestricted net position amounts to \$327,213.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, excluding transfers in, were originally budgeted at \$1,911,514. This amount was amended during the year to \$2,270,767. Actual revenues, excluding transfers, amounted to \$2,536,674.

Expenditures for the current year, excluding transfers out, were originally budgeted in the amount of \$2,000,557. This amount was amended during the year to \$2,319,855. Actual expenditures, excluding transfers, amounted to \$2,105,880.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Town of Springdale's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Current Year	Total Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Capital Assets:						
Land and rights	\$ 318,300	318,300	132,444	132,444	450,744	450,744
Water shares and rights	-	-	158,900	158,900	158,900	158,900
Buildings	583,563	583,563	1,287,256	1,287,256	1,870,819	1,870,819
Improvements	845,124	845,124	60,842	60,842	905,966	905,966
Water system	-	-	6,434,993	6,434,993	6,434,993	6,434,993
Sewer system	-	-	2,379,889	2,379,889	2,379,889	2,379,889
Pressurized irrigation system	-	-	818,238	721,230	818,238	721,230
Machinery and equipment	340,015	340,015	736,681	736,681	1,076,696	1,076,696
Vehicles	313,871	293,884	184,863	148,290	498,733	442,175
Infrastructure	721,905	721,905	-	-	721,905	721,905
Construction in progress	302,678	-	152,527	152,527	455,205	152,527
Total Capital Assets	<u>3,425,457</u>	<u>3,102,792</u>	<u>12,346,633</u>	<u>12,213,052</u>	<u>15,772,090</u>	<u>15,315,845</u>
Less Accumulated Depreciation	<u>(1,493,420)</u>	<u>(1,397,333)</u>	<u>(4,120,986)</u>	<u>(3,822,419)</u>	<u>(5,614,406)</u>	<u>(5,219,752)</u>
Net Capital Assets	<u>\$ 1,932,037</u>	<u>1,705,459</u>	<u>8,225,647</u>	<u>8,390,634</u>	<u>10,157,684</u>	<u>10,096,093</u>

The total amount of capital assets, net of depreciation, of \$10,157,684 has decreased by \$61,591 from the previous year.

Governmental activities capital assets, net of depreciation, of \$1,932,037 represents a decrease of \$226,578 from the previous year.

Business-type activities capital assets, net of depreciation, of \$8,225,647 decreased during the year by \$164,987.

The amount of decreases in capital asset balances, net of depreciation, represent the amount that depreciation charged on capital assets exceeded new investments in capital assets.

Additional information regarding capital assets may be found in the notes to financial statements.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Town of Springdale's Outstanding Debt

	Current Year	Previous Year
Governmental activities:		
2012 Ford F-150 Crew Cab (2) Lease	\$ -	33,544
2012 GMC Sierra 2500 Lease	14,373	21,399
2014 Equipment Lease	43,007	56,905
Total governmental	\$ 57,380	111,847
Business-type activities:		
Advance from State of Utah	\$ -	6,800
2004 Water Revenue	710,000	730,000
2012 Water Revenue	83,213	100,000
2006 MBA Lease Revenue	962,000	994,000
2009 Sales Tax Revenue	1,647,000	1,707,000
Total business-type	3,402,213	3,537,800
Total outstanding debt	\$ 3,459,593	3,649,647

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Town of Springdale's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Town of Springdale, P.O. Box 187, 84767 or call (435) 772-3434.

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BASIC FINANCIAL STATEMENTS

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Town of Springdale
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,594,157	2,114,963	3,709,120
Receivables, net of allowances	593,407	99,658	693,065
Total current assets	2,187,565	2,214,621	4,402,185
Non-current assets:			
Restricted cash and cash equivalents	191,514	219,136	410,650
Capital assets:			
Not being depreciated	620,978	443,871	1,064,849
Net of accumulated depreciation	1,311,059	7,781,776	9,092,835
Net pension asset	389	131	520
Total non-current assets	2,123,940	8,444,914	10,568,854
Total assets	4,311,504	10,659,535	14,971,039
Deferred outflows of resources - pensions	65,312	22,013	87,325
Total assets and deferred outflows of resources	\$ 4,376,817	10,681,547	15,058,364
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 76,459	12,024	88,483
Accrued interest payable	-	14,675	14,675
Customer security deposits	-	5,125	5,125
Unearned revenues	-	83,222	83,222
Compensated absences	9,273	10,301	19,573
Capital leases, due within one year	21,247	-	21,247
Revenue bonds, due within one year	-	167,000	167,000
Total current liabilities	106,979	292,346	399,325
Non-current liabilities:			
Capital leases, due after one year	36,133	-	36,133
Revenue bonds, due after one year	-	3,235,213	3,235,213
Net pension liability	272,269	91,764	364,033
Total non-current liabilities	308,402	3,326,977	3,635,380
Total liabilities	415,381	3,619,324	4,034,705
Deferred inflows of resources:			
Property taxes	58,136	-	58,136
Pensions	41,745	14,070	55,815
Total deferred inflows of resources	99,881	14,070	113,951
Total liabilities and deferred inflow of resources	515,262	3,633,393	4,148,656
NET POSITION:			
Net investment in capital assets	1,874,657	4,823,434	6,698,091
Restricted	191,514	219,136	410,650
Unrestricted	1,795,384	2,005,584	3,800,968
Total net position	3,861,555	7,048,154	10,909,709
Total liabilities, deferred inflow of resources, and net position	\$ 4,376,817	10,681,547	15,058,364

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

Town of Springdale
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
General government	\$ 391,617	111,697	5,073	-	(274,848)
Public safety	686,155	86,860	15,391	-	(583,904)
Public works	135,862	-	18,168	-	(117,693)
Culture and recreation	446,071	8,310	-	60,924	(376,837)
Community development	179,400	-	-	-	(179,400)
Interest on long-term debt	1,213	-	-	-	(1,213)
Total governmental activities	1,840,318	206,867	38,632	60,924	(1,533,896)
Business-type activities:					
Water	554,448	589,638	-	-	35,190
Sewer	271,099	242,391	-	-	(28,709)
Irrigation	75,621	29,773	-	-	(45,848)
Building authority	62,629	48,746	-	-	(13,883)
Total business-type activities	963,798	910,548	-	-	(53,250)
Total primary government	\$ 2,804,116	1,117,415	38,632	60,924	(1,587,146)

(The statement of activities continues on the following page)

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

Town of Springdale
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	<u>\$ (1,533,896)</u>	<u>(53,250)</u>	<u>(1,587,146)</u>
General revenues:			
Property taxes	66,999	-	66,999
Sales tax	446,749	-	446,749
Other taxes	1,682,091	-	1,682,091
Unrestricted investment earnings	16,237	3,696	19,934
Miscellaneous	<u>89,541</u>	<u>-</u>	<u>89,541</u>
Total general revenues	<u>2,301,618</u>	<u>3,696</u>	<u>2,305,314</u>
Transfers in (out)	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
Total general revenues and transfers	<u>2,261,059</u>	<u>63,696</u>	<u>2,324,755</u>
Change in net position	707,723	10,447	718,170
Net position - beginning, restated	<u>3,153,832</u>	<u>7,037,707</u>	<u>10,191,540</u>
Net position - ending	<u><u>\$ 3,861,555</u></u>	<u><u>7,048,154</u></u>	<u><u>10,909,709</u></u>

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

Town of Springdale
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Nonmajor Parks Capital Projects	Nonmajor Streets Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,003,422	147,096	443,639	1,594,157
Accounts receivable	4,431	-	-	4,431
Due from other governments	588,977	-	-	588,977
Restricted cash and cash equivalents	100,160	91,354	-	191,514
TOTAL ASSETS	\$ 1,696,989	238,450	443,639	2,379,079
 LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
Liabilities:				
Accounts payable	\$ 17,257	-	3,377	20,634
Accrued liabilities	55,825	-	-	55,825
Total liabilities	73,082	-	3,377	76,459
Deferred inflow of resources	58,136	-	-	58,136
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	131,218	-	3,377	134,595
 FUND BALANCES:				
Restricted for:				
Class C Roads	72,972	-	-	72,972
Public safety	27,188	-	-	27,188
Impact fees	-	54,264	-	91,354
Other	-	-	-	-
Assigned for:				
Capital projects	-	184,186	440,262	587,358
Unassigned	1,465,611	-	-	1,465,611
TOTAL FUND BALANCES	1,565,771	238,450	440,262	2,244,484
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 1,696,989	238,450	443,639	2,379,079

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

Town of Springdale
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2015

	General Fund	Nonmajor Parks Capital Projects	Nonmajor Parks Capital Projects	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 66,999	-	-	66,999
Sales	446,749	-	-	446,749
Other taxes	1,682,091	-	-	1,682,091
Licenses and permits	56,946	-	-	56,946
Intergovernmental revenues	38,632	-	-	38,632
Charges for services	96,670	-	-	96,670
Fines and forfeitures	53,250	-	-	53,250
Impact fees	-	60,924	-	60,924
Interest	16,237	-	-	16,237
Miscellaneous revenue	79,099	667	-	79,766
Total revenues	<u>2,536,674</u>	<u>61,591</u>	<u>-</u>	<u>2,598,265</u>
EXPENDITURES:				
General government	402,644	-	-	402,644
Public safety	679,023	-	-	679,023
Public works	99,424	-	-	99,424
Culture and recreation	407,157	6,660	-	413,817
Community development	186,340	-	-	186,340
Capital outlay	309,156	-	69,436	378,592
Debt service:				
Principal	20,923	-	-	20,923
Interest	1,213	-	-	1,213
Total expenditures	<u>2,105,880</u>	<u>6,660</u>	<u>69,436</u>	<u>2,181,976</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>430,793</u>	<u>54,931</u>	<u>(69,436)</u>	<u>416,289</u>
Other Financing Sources and (Uses):				
Transfer in	-	-	500,000	500,000
Transfers out	(560,000)	-	-	(560,000)
Total other financing sources and (uses)	<u>(560,000)</u>	<u>-</u>	<u>500,000</u>	<u>(60,000)</u>
Net Change in Fund Balances	<u>(129,207)</u>	<u>54,931</u>	<u>430,564</u>	<u>356,289</u>
Fund balances - beginning of year	1,694,978	183,519	9,698	1,888,195
Fund balances - end of year	<u>\$ 1,565,771</u>	<u>238,450</u>	<u>440,262</u>	<u>2,244,484</u>

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

Town of Springdale
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2015

Total Fund Balances for Governmental Funds	<u>\$ 2,244,484</u>
Total net position reported for governmental activities in the statement is different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	3,425,457
Less accumulated depreciation	<u>(1,493,420)</u>
Net capital assets	<u>1,932,037</u>
Net pension assets are not financial resources and, therefore, are not reported in the funds	
	<u>389</u>
Deferred outflows of resources, a consumption of net position that applies to future periods, is not shown in the funds statements	
	<u>65,312</u>
Long-term liabilities, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
Long-term debt outstanding	<u>(57,380)</u>
Compensated absences	<u>(9,273)</u>
Net pension liability	<u>(272,269)</u>
Deferred inflows of resources - pensions	<u>(41,745)</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,861,555</u></u>

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

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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 375,730**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	378,592
Depreciation expense	<u>(128,245)</u>
Net	<u>250,347</u>

The Statement of Activities show pension benefits and pension expenses from the adoption of GASB 68 that are not shown in the fund statements. 50,948

Retirement of fixed assets reduces the total fixed assets in the statement of net position, however, no expenditure or revenue is recognized in the fund statement.

Book cost of retired assets	<u>9,775</u>
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Long-term debt principal repayments	<u>20,923</u>
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Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Change in compensated absences	<u>19,441</u>
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Change in Net Position of Governmental Activities **\$ 707,723**

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

Town of Springdale
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Water Fund	Sewer Fund	Nonmajor Irrigation Fund	Building Authority	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 765,087	995,058	21,592	333,225	2,114,963
Accounts receivable, net of allowances	64,100	22,769	12,789	-	99,658
Total current assets	<u>829,187</u>	<u>1,017,827</u>	<u>34,381</u>	<u>333,225</u>	<u>2,214,621</u>
Non-current assets:					
Restricted cash and cash equivalents	161,386	-	-	57,750	219,136
Capital assets:					
Not being depreciated	252,527	132,444	58,900	-	443,871
Net of accumulated depreciation	5,162,585	1,087,959	473,774	1,057,458	7,781,776
Net pension asset	82	37	11	-	131
Total non-current assets	<u>5,576,580</u>	<u>1,220,441</u>	<u>532,685</u>	<u>1,115,208</u>	<u>8,444,914</u>
Total assets	<u>6,405,767</u>	<u>2,238,268</u>	<u>567,066</u>	<u>1,448,433</u>	<u>10,659,535</u>
Deferred outflows of resources - pensions	13,842	6,261	1,910	-	22,013
Total assets and deferred outflows of resources	<u>\$ 6,419,609</u>	<u>2,244,529</u>	<u>568,976</u>	<u>1,448,433</u>	<u>10,681,547</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 5,805	4,740	1,479	-	12,024
Accrued interest payable	8,662	-	-	6,013	14,675
Customer deposits	5,025	-	100	-	5,125
Compensated absences	6,003	3,680	618	-	10,301
Unearned revenue	83,222	-	-	-	83,222
Revenue bonds, current portion	134,000	-	-	33,000	167,000
Total current liabilities	<u>242,718</u>	<u>8,420</u>	<u>2,197</u>	<u>39,013</u>	<u>292,346</u>
Non-current liabilities:					
Net pension liability	57,703	26,099	7,962	-	91,764
Revenue bonds, long-term portion	2,306,213	-	-	929,000	3,235,213
Total non-current liabilities	<u>2,363,916</u>	<u>26,099</u>	<u>7,962</u>	<u>929,000</u>	<u>3,326,977</u>
Total liabilities	<u>2,606,633</u>	<u>34,519</u>	<u>10,159</u>	<u>968,013</u>	<u>3,619,324</u>
Deferred inflows of resources - pensions	8,847	4,002	1,221	-	14,070
Total liabilities and deferred inflows of resources	<u>2,615,481</u>	<u>38,520</u>	<u>11,380</u>	<u>968,013</u>	<u>3,633,393</u>
NET POSITION:					
Net investment in capital assets	2,974,899	1,220,404	532,674	95,458	4,823,434
Restricted for bond requirements	161,386	-	-	57,750	219,136
Unrestricted	667,844	985,605	24,922	327,213	2,005,584
Total net position	<u>3,804,128</u>	<u>2,206,009</u>	<u>557,596</u>	<u>480,421</u>	<u>7,048,154</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,419,609</u>	<u>2,244,529</u>	<u>568,976</u>	<u>1,448,433</u>	<u>10,681,547</u>

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

Town of Springdale
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Nonmajor Irrigation Fund	Building Authority	Total Enterprise Funds
Operating income:					
Charges for sales and service	\$ 523,632	242,391	29,733	-	795,756
Connection fees	50,820	-	40	-	50,860
Other operating income	15,187	-	-	48,746	63,933
Total operating revenue	589,638	242,391	29,773	48,746	910,548
Operating expenses:					
Personnel services	221,034	100,744	32,305	-	354,083
Utilities	37,292	7,551	10,557	-	55,400
Repair & maintenance	61,887	33,307	17,488	-	112,682
Other supplies & expenses	50,204	37,747	1,668	-	89,618
Insurance expense	12,424	8,638	-	802	21,864
Depreciation expense	158,301	87,996	15,093	37,177	298,568
Total operating expense	541,142	275,983	77,111	37,979	932,215
Net operating income (loss)	48,497	(33,592)	(47,338)	10,767	(21,667)
Non-operating income (expense):					
Interest income	1,688	1,112	-	897	3,696
Interest on long-term debt	(24,104)	-	-	(24,650)	(48,754)
Benefit expense - GASB 68	25,069	15,453	3,459	-	43,981
Pension expense - GASB 68	(14,271)	(10,570)	(1,969)	-	(26,810)
Total non-operating income (expense)	(11,618)	5,995	1,490	(23,753)	(27,886)
Income (loss) before transfers	36,878	(27,597)	(45,848)	(12,987)	(49,554)
Net transfers in (out)	45,000	(120,000)	135,000	-	60,000
Change in net position	81,878	(147,597)	89,152	(12,987)	10,447
Net position - beginning, restated	3,722,250	2,353,606	468,444	493,408	7,037,707
Net position - ending	\$ 3,804,128	2,206,009	557,596	480,421	7,048,154

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

Town of Springdale
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Water Fund	Sewer Fund	Nonmajor Irrigation Fund	Building Authority	Total Enterprise Funds
Cash flows from operating activities:					
Cash received from customers - service	\$ 596,716	245,444	57,796	58,746	958,702
Change in customer deposits	1,000	-	100	-	1,100
Cash paid to suppliers	(162,072)	(87,846)	(35,142)	(802)	(285,863)
Cash paid to employees	(221,034)	(100,744)	(32,305)	-	(354,083)
Net cash provided (used) in operating activities	<u>214,609</u>	<u>56,854</u>	<u>(9,550)</u>	<u>57,944</u>	<u>319,856</u>
Cash flows from noncapital financing activities:					
Net interfund activity	51,849	(120,000)	128,151	-	60,000
Net cash provided (used) in noncapital financing activities	<u>51,849</u>	<u>(120,000)</u>	<u>128,151</u>	<u>-</u>	<u>60,000</u>
Cash flows from capital and related financing activities:					
Cash payments for capital assets	-	(36,572)	(97,008)	-	(133,581)
Cash payments for long-term debt	(96,787)	(6,800)	-	(32,000)	(135,587)
Cash payments for long-term debt interest	(24,370)	-	-	(24,850)	(49,220)
Net cash provided (used) in capital and related financing activities	<u>(121,157)</u>	<u>(43,372)</u>	<u>(97,008)</u>	<u>(56,850)</u>	<u>(318,388)</u>
Cash flows from investing activities:					
Cash received from interest earned	1,688	1,112	-	897	3,696
Net cash provided (used) in investing activities	<u>1,688</u>	<u>1,112</u>	<u>-</u>	<u>897</u>	<u>3,696</u>
Net increase (decrease) in cash	146,989	(105,407)	21,592	1,990	65,165
Cash balance, beginning	779,484	1,100,465	-	388,985	2,268,934
Cash balance, ending	<u>\$ 926,473</u>	<u>995,058</u>	<u>21,592</u>	<u>390,975</u>	<u>2,334,099</u>
Cash reported on the balance sheet:					
Cash and cash equivalents	\$ 765,087	995,058	21,592	333,225	2,114,963
Non-current restricted cash	161,386	-	-	57,750	219,136
Total cash and cash equivalents	<u>\$ 926,473</u>	<u>995,058</u>	<u>21,592</u>	<u>390,975</u>	<u>2,334,099</u>

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

Town of Springdale
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)
For the Year Ended June 30, 2015

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

	Water Fund	Sewer Fund	Nonmajor Irrigation Fund	Building Authority	Total Enterprise Funds
Net operating income (expense)	\$ 48,497	(33,592)	(47,338)	10,767	(21,667)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:					
Depreciation and amortization	158,301	87,996	15,093	37,177	298,568
Changes in assets and liabilities:					
(Increase) decrease in receivables	7,077	3,053	28,023	10,000	48,154
Increase (decrease) in customer deposits	1,000	-	100	-	1,100
Increase (decrease) in payables	(266)	(603)	(5,429)	-	(6,298)
Net cash provided (used) in operating activities	<u>\$ 214,609</u>	<u>56,854</u>	<u>(9,550)</u>	<u>57,944</u>	<u>319,856</u>

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

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Town of Springdale (the Town), a municipal corporation located in Washington County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable because of the significance of their operational or financial relationship with the Town.

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

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

The statement of net position reports the financial position of the governmental and business-type activities of the Town and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Policy regarding use of restricted resources

When both restricted, committed, assigned and unassigned resources are available for use, it is the Town's policy to use restricted resources first, then committed, assigned and unassigned resources as they are needed. Restricted assets, non-current reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1-D. Fund types and major funds

Governmental funds

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 those required to be accounted for in another fund.

The Town reports the following non-major governmental funds:

The *parks capital projects fund* is used to account for the acquisition or construction of major capital facilities relating to Town parks.

The *streets capital projects fund* is used to account for the acquisition or construction of major capital facilities relating to Town streets.

Proprietary funds

The Town reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water production, treatment and distribution.

The *sewer fund* is used to account for the activities of the sewer collection and treatment operations.

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.

1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1-E-1. Deposit and Investments

Cash includes cash on hand, demand deposits with bank 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 investment in fund 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.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

1-E-2. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts, which is based on balances that are over 90 days past due.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the Town by Washington County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

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

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

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed.

Inventories for business-type funds, consisting of materials used in the extension and repair of the transmission, distribution, collection and treatment systems, are valued at cost and account 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 costs.

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 FINANCIAL STATEMENTS
June 30, 2015

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	7-40
Machinery & Equipment	3-5
Vehicles	5-7
Office Furniture & Equipment	3-7
Utility Systems	40-50
Infrastructure	7-40

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources relating to pensions as required by GASB 68.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

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

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Town has two types of items that qualify for reporting in this category. The governmental funds report deferred revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The Town also reports deferred inflows related to pensions as required by GASB 68.

1-E-9. *Pensions*

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

1-E-10. *Compensated Absences*

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as incurred. Accumulated holiday and sick leave hours are not paid out upon termination and are not accrued in the financial statements.

1-E-11. *Fund Equity*

Government-wide Financial Statements

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

Net investment in capital assets - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position 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 position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as Nonspendable, Restricted, Committed, Assigned or Unassigned. Descriptions of each follow:

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

**1-E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(continued)**

Nonspendable fund balance - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.

Restricted fund balance - Net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of the government or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - Amounts that can only be used for specific purposes established by formal action of the Town Council, with is the Town's highest level of decision making authority. Fund balance commitments can only be removed or changed by the same type of action (for example resolution) of the Town Council.

Assigned fund balance - Amounts that the Town intends to be used for a specific purpose but are neither restricted nor committed. These are established by the Town Council. This category includes the remaining positive fund balances for governmental funds other than the general fund.

Unassigned fund balance - 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 specific purposes within the General Fund.

Proprietary fund equity is classified the same as in the government-wide statements.

1-E-12. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the Town from creating a deficit fund balance by making expenditures in excess of amounts budgeted. Any deficit so created must be made up in the following fiscal year. Deficits arising from emergencies, however, may be retired over five years. The maximum amount held in the general fund may not exceed 75% of the total estimated revenue of the fund for the succeeding year.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

2-A. Budgetary data (continued)

Once adopted, budget amendments which increase total expenditures must be approved by the Town Council following a public hearing. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

	<u>Fair Value</u>
Deposits:	
Cash on hand	\$ 199
Cash in bank	239,540
Investments:	
State Treasurer's Investment Pool	3,804,248
Treasury Obligations	90,783
Total deposits and investments	<u><u>\$ 4,134,770</u></u>

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

Cash and cash equivalents (current)	\$ 3,709,120
Restricted cash and cash equivalents (non-current)	<u>410,650</u>
Total cash and cash equivalents	<u><u>\$ 4,119,770</u></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 depositor 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 bank failure, the Town's deposit may not be returned to it. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2015, none of the Town's bank balance of \$214,035 was exposed to custodial risk because it was uninsured and uncollateralized.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-A. Deposits and investments (continued)

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 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. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer’s office.

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, 2015 the Town had the following investment and maturities:

	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurers' Investment Fund	\$ 3,804,248	3,804,248	-	-	-
Zions Bank Treasury Obligations	90,783	90,783	-	-	-
Total Fair Value	<u>\$ 3,895,031</u>	<u>3,895,031</u>	-	-	-

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-A. 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 exposure to credit risk is to comply with the State's Money Management Act.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

At June 30, 2015 the Town had the following investments and quality ratings:

	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurers' Investment Fund	\$ 3,804,248	-	-	-	- 3,804,248
Total Fair Value	\$ 3,804,248	-	-	-	- 3,804,248

3-B. Receivables

The allowance policy is described in Note 1-E-3. Receivables as of year-end for the Town's funds are shown below:

	Governmental Activities	Business-type Activities	Total
Due from other governments	\$ 588,977	-	588,977
Customers accounts	4,431	143,754	148,184
Total receivables	593,407	143,754	737,161
Allowance for uncollectibles	-	(44,096)	(44,096)
Net receivables	\$ 593,407	99,658	693,065

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 318,300	-	-	318,300
Construction in progress	-	302,678	-	302,678
Total capital assets, not being depreciated	<u>318,300</u>	<u>302,678</u>	<u>-</u>	<u>620,978</u>
Capital assets, being depreciated:				
Buildings	583,563	-	-	583,563
Improvements other than buildings	845,124	-	-	845,124
Office furniture and equipment	22,392	-	-	22,392
Computer equipment	8,000	-	-	8,000
Machinery and equipment	309,623	-	-	309,623
Vehicles	293,884	75,914	55,927	313,871
Infrastructure	721,905	-	-	721,905
Total capital assets, being depreciated	<u>2,784,492</u>	<u>75,914</u>	<u>55,927</u>	<u>2,804,478</u>
Less accumulated depreciation for:				
Buildings	222,977	14,589	-	237,566
Improvements other than buildings	245,302	35,285	-	280,587
Office furniture and equipment	13,223	2,108	-	15,331
Computer equipment	3,133	1,600	-	4,733
Machinery and equipment	300,080	1,187	-	301,266
Vehicles	178,666	41,415	32,158	187,923
Infrastructure	433,953	32,061	-	466,014
Total accumulated depreciation	<u>1,397,333</u>	<u>128,245</u>	<u>32,158</u>	<u>1,493,420</u>
Total capital assets being depreciated, net	<u>1,387,159</u>	<u>(52,331)</u>	<u>23,769</u>	<u>1,311,059</u>
Governmental activities capital assets, net	<u>\$ 1,705,459</u>	<u>250,347</u>	<u>23,769</u>	<u>1,932,037</u>

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

Governmental activities:	
General government	\$ 18,086
Public safety	27,338
Public works	39,703
Parks and recreation	42,268
Community development	849
Total	<u>\$ 128,245</u>

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 291,344	-	-	291,344
Construction in progress	152,527	-	-	152,527
Total capital assets, not being depreciated	443,871	-	-	443,871
Capital assets, being depreciated:				
Buildings	1,287,256	-	-	1,287,256
Improvements	60,842	-	-	60,842
Water distribution system	6,434,993	-	-	6,434,993
Sewer collection/treatment system	2,379,889	-	-	2,379,889
Irrigation system	721,230	97,008	-	818,238
Machinery and equipment	736,681	-	-	736,681
Vehicles	148,290	36,572	-	184,863
Total capital assets, being depreciated	11,769,181	133,581	-	11,902,762
Less accumulated depreciation for:				
Buildings	228,135	32,181	-	260,317
Improvements	26,592	4,056	-	30,648
Water distribution system	1,329,137	144,809	-	1,473,946
Sewer collection/treatment system	1,492,750	61,129	-	1,553,879
Irrigation	329,371	15,093	-	344,465
Machinery and equipment	290,374	28,520	-	318,893
Vehicles	126,060	12,779	-	138,839
Total accumulated depreciation	3,822,419	298,568	-	4,120,986
Total capital assets being depreciated, net	7,946,763	(164,987)	-	7,781,776
Business-type activities capital assets, net	\$ 8,390,634	(164,987)	-	8,225,647

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

Business-type activities:	
Water	\$ 158,301
Sewer	87,996
Irrigation	15,093
Building Authority	37,177
Total	\$ 298,568

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

3-D. Long-term liabilities

Long-term debt activity for the year was as follows:

	Original Principal	%	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Governmental activities:							
2012 Ford F-150 Crew Cab (2) Lease Matures 8/15/2014	\$ 55,927	2.38	\$ 33,544	-	33,544	-	-
2012 GMC Sierra 2500 Lease Matures 9/19/2016	35,670	1.52	21,399	-	7,026	14,373	7,132
2014 Equipment Lease Matures 7/17/2017	71,690	1.56	56,905	-	13,898	43,007	14,114
Total governmental activity long-term liabilities			<u>\$111,848</u>	<u>-</u>	<u>54,468</u>	<u>57,380</u>	<u>21,246</u>

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

	Principal	Interest	Total
2016	\$ 21,247	889	22,136
2017	21,575	561	22,136
2018	14,558	227	14,785
Total	<u>\$57,380</u>	<u>1,677</u>	<u>59,057</u>

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term liabilities (continued)

	Original Principal	% Rate	6/30/2014	Additions	Reductions	6/30/2015	Due Within One Year
Business-type activities:							
Advance from State of Utah Matures 12/31/2014	\$ 34,000	-	\$ 6,800	-	6,800	-	-
2004 Water Revenue Matures 9/1/2022	850,000	1.00	730,000	-	20,000	710,000	68,000
2012 Water Revenue Matures 10/1/2033	100,000	-	100,000	-	16,787	83,213	5,000
2006 MBA Lease Revenue Matures 4/1/2037	1,200,000	2.50	994,000	-	32,000	962,000	33,000
2009 Sales Tax Revenue Matures 5/1/2039	2,000,000	0.01	1,707,000	-	60,000	1,647,000	61,000
Total business-type activity long-term liabilities			<u>\$3,537,800</u>	<u>-</u>	<u>135,587</u>	<u>3,402,213</u>	<u>167,000</u>

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

	Principal	Interest	Total
2016	\$ 167,000	47,620	214,620
2017	182,000	45,505	227,505
2018	186,000	43,225	229,225
2019	192,000	40,890	232,890
2020	197,000	38,480	235,480
2021 - 2025	850,000	154,945	1,004,945
2026 - 2030	594,000	105,975	699,975
2031 - 2035	623,213	58,955	682,168
2036 - 2039	411,000	11,675	422,675
Total	<u>\$3,402,213</u>	<u>547,270</u>	<u>3,949,483</u>

Compensated Absences:

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014
Governmental activity	\$ 28,714	66,111	85,552	9,273
Business-type activity	10,301	22,303	22,303	10,301
Total	<u>\$ 39,015</u>	<u>88,414</u>	<u>107,855</u>	<u>19,574</u>

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

3-D. Long-term liabilities (continued)

Capital Leases:

The Town has entered into lease agreements as lessee for financing equipment. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at present value of their future minimum lease payments as of the date of inception.

The assets acquired through capital leases are as follows:

2009 GMC Sierra	\$ 29,296
2013 GMC Sierra 2500	35,670
2013 GMC Sierra 2500 HD	35,845
2014 Chevy Tahoe	35,135
Accumulated depreciation	<u>(77,012)</u>
Total	<u><u>\$ 58,934</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

Year ending June 30:	
2016	22,136
2017	22,136
2018	<u>14,785</u>
Total remaining minimum lease payments	<u>59,057</u>
Less: amount representing interest	<u>(1,677)</u>
Present value of minimum lease payments	<u><u>\$ 57,380</u></u>

3-E. Interfund receivables, payables and transfers

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

	Transfer To:			
Transfers From:	Nonmajor Streets Capital Projects	Water Fund	Irrigation Fund	Total
General fund	\$ 500,000	60,000	-	560,000
Water Fund	-	-	120,000	120,000
Sewer fund	-	-	15,000	15,000
Total	<u><u>\$ 500,000</u></u>	<u><u>60,000</u></u>	<u><u>135,000</u></u>	<u><u>695,000</u></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 other funds in accordance with budgetary authorizations.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

4-C. 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 the accounts payable in the Water Fund Statement of Net Position.

4-D. Contingencies and Commitments

The Town 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 unearned 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 unearned 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 year after the last permit was issued. As of June 30, 2015 there is a balance of \$83,222 in unearned revenue, of which \$55,340 was advanced by Zion Park Resort. The balance of \$27,882 was advanced by others in unrelated settlements.

4-E. Subsequent Events

The Town has evaluated subsequent events through October 1, 2015, the date the financial statements were available to be issued.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-F. General Information about the Pension Plan

Plan description:

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

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

The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided:

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 year any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-F. General Information about the Pension Plan (continued)

* with actuarial reductions

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

Contributions:

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

<u>Utah Retirement Systems</u>	Employee Paid	Pay by Employer for Employee	Employer Contribution Rates
Contribution System			
111 - Local Governmental Division Tier 2	N/A	N/A	14.830%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	N/A	18.470%
Public Safety Retirement System			
43 - Other Division A Noncontributory Tier 1	N/A	N/A	34.040%
122 - Other Division A Contributory Tier 2	N/A	N/A	22.550%

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

At December 31, 2014, we reported a net pension asset of \$520 and a net pension liability of \$364,033.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0632619%	\$ -	\$ 274,698
Public Safety System	0.0710373%	\$ -	\$ 89,335
Tier 2 Public Employees System	0.0006816%	\$ 21	\$ -
Tier 2 Public Safety and Firefighter System	0.0337162%	\$ 499	\$ -
Total Net Pension Asset/Liability		\$ 520	\$ 364,033

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, we recognized pension expense of \$90,033. At December 31, 2014, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-F. General Information about the Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16	\$ 17,048
Changes in assumptions	\$ -	\$ 38,767
Net difference between projected and actual earnings on pension plan investments	\$ 8,322	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 78,987	\$ -
Total	\$ 87,325	\$ 55,815

\$78,987 was reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (inflows) of Resources</u>
2015	\$ (12,797)
2016	\$ (12,797)
2017	\$ (12,797)
2018	\$ (9,045)
2019	\$ (5)
Thereafter	\$ (36)

Actuarial assumptions:

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Active member mortality rates are a function of the member’s gender, occupation, and age and are developed based upon place experience. Retiree mortality assumption are highlighted in the table below.

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-F. General Information about the Pension Plan (continued)

Retired Member Mortality

Class of Member

Educators

Men EDUM (90%)

Women EDUF (100%)

Public Safety and Firefightings

Men RP 2000mWC (100%)

Women EDUF (120%)

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

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

Asset class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	31.50%	0.57%
Cash and cash equivalents	0	0.00%	0.00%
Totals	100%		5.23%
		Inflation	2.75%
		Expected arithmetic nominal return	7.98%

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

Town of Springdale
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

4-F. General Information about the Pension Plan (continued)

Discount rate:

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$ 886,095	\$ 363,513	\$ (69,107)

Pension plan fiduciary net position:

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

Payables to the pension plan

As of year-end, the Town reported payables of \$7,755 for legally required contributions to the pension plan.

4-G. Prior period adjustments

The requirement to apply GASB 68 this fiscal year resulted in an adjustment to the prior period net positions. This is due to the required disclosure of a Net Pension Liability, Deferred Outflows and Inflows of Resources, and if applicable, a Net Pension Asset. The net results to net positions are as follows:

	Governmental Activities	Business-type Activities			Total
		Water Fund	Sewer Fund	Irrigation Fund	
Net position - beginning	\$ 3,453,093	3,785,673	2,382,292	477,196	10,098,254
GASB 68 adjustments	(299,261)	(63,423)	(28,686)	(8,752)	(400,122)
Net position - restated	\$ 3,153,832	3,722,250	2,353,606	468,444	9,698,132

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Town of Springdale
Notes to Required Supplementary Information
June 30, 2015

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

The budget for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unassigned fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2015, spending within the public safety department exceeded budget appropriations by \$40,330.

Town of Springdale
**SCHEDULE OF REVENUES, EXPENDITUES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 (Unaudited)**

For the Year Ended June 30, 2015

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 1,670,589	1,951,083	2,195,840	244,757
Licenses and permits	33,500	49,707	56,946	7,239
Intergovernmental revenues	27,000	33,559	38,632	5,073
Charges for services	80,500	92,004	96,670	4,666
Fines and forfeitures	20,000	51,674	53,250	1,576
Interest	10,300	14,781	16,237	1,456
Miscellaneous revenue	69,625	77,959	79,099	1,140
Total revenues	<u>1,911,514</u>	<u>2,270,767</u>	<u>2,536,674</u>	<u>265,907</u>
Expenditures				
General government	402,406	443,348	402,644	40,704
Public safety	610,171	714,606	754,936	(40,330)
Public works	187,219	202,261	99,424	102,837
Culture and recreation	528,827	686,911	407,157	279,754
Community development	271,934	272,729	186,340	86,389
Debt Service	-	-	22,136	(22,136)
Total expenditures	<u>2,000,557</u>	<u>2,319,855</u>	<u>1,872,638</u>	<u>447,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,043)	(49,088)	430,793	479,881
Other Financing Sources and (Uses)				
Transfers out	(165,970)	(703,607)	(560,000)	143,607
Total Other Financing Sources and (Uses)	<u>(165,970)</u>	<u>(703,607)</u>	<u>(560,000)</u>	<u>143,607</u>
Net Change in Fund Balances	(255,013)	(752,695)	(129,207)	623,488
Fund Balances - beginning of year	1,694,978	1,694,978	1,694,978	-
Fund Balances - end of year	<u>\$ 1,439,965</u>	<u>942,283</u>	<u>1,565,771</u>	<u>623,488</u>

Town of Springdale
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Proportion of the net pension liability (asset)	0.0632619 %	0.0710373 %	0.0006816 %	0.0337162%
Proportionate share of the net pension liability (asset)	\$274,698	\$89,335	(\$21)	(\$499)
Covered employee payroll	\$586,293	\$187,050	\$3,376	\$14,067
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.9 %	47.8 %	-0.6 %	-3.5 %
Plan fiduciary net position as a percentage of the total pension liability	90.2 %	90.5 %	103.5%	120.5 %

* In accordance with paragraph 81.a of GASB 68, employees will need to disclose a 10-year history of their proportionate share of the Net Pension Liability (Asset) in their RSI. The 10-year schedule will need to be built prospectively. The schedule above is only for the current year. Prior year numbers are available from your prior year not disclosure confirmation.

Town of Springdale
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
 June 30, 2015
 Last 10 Fiscal Years*

	Noncontributory System	Public Safety System	Tier 2 Public Employees System	Tier 2 Public Safety and Firefighter System
Contractually required contribution	\$99,430	\$34,990	\$281	\$1,519
Contributions in relation to the contractually required contribution	(\$99,430)	(\$34,990)	(\$281)	(\$1,519)
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	\$586,293	\$187,050	\$3,376	\$14,067
Contributions as a percentage of covered-employee payroll **	16.96 %	18.71 %	8.32 %	10.80 %

* Amounts presented were determined as of calendar year January 1 - December 31. Employers will be required to prospectively develop this table in future years to show 10-years of information. The schedule above is only for the current year. Prior year numbers are available from your prior year note disclosure confirmation.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

Town of Springdale
Notes to Required Supplementary Information
Utah Retirement Systems
For the Year Ended June 30, 2015

Other information that is not required as part of RSI

This information below is not required as part of GASB 68 but is provided for information purposes. The schedule below is a summary of the Defined Contribution Savings Plans for pay periods January 1 - December 31.

Defined Contribution System

	Employee Paid <u>Contributions</u>	Employer Paid <u>Contributions</u>
401(k) Plan	\$ 6,890	\$ 13,631
457 Plan	\$ 3,250	-
Roth IRA Plan	\$ 3,900	-
Traditional IRA Plan	-	-
HRA Plan	-	-

* The employer paid 401(k) contributions include the totals paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan.



REES CERTIFIED PUBLIC ACCOUNTANT, PC

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 Town Council
Springdale Town, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Springdale Town, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Springdale Town's basic financial statements, and have issued our report thereon dated October 1, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springdale Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards* and which are described in the Letter of Findings and Recommendations as item 15-01.

Springdale Town's Responses to Findings

Springdale Town's responses to the findings identified in our audit is described in the accompanying Letter of Findings and Recommendations. Springdale Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rees Certified Public Accountant, PC

Rees Certified Public Accountant, PC
Cedar City, Utah
October 1, 2015



REES CERTIFIED PUBLIC ACCOUNTANT, PC

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE
STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL
STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE**

To the Town Council
Springdale Town, Utah

Report On Compliance with General State Compliance Requirements

We have audited Springdale Town's compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on Springdale Town for the year ended June 30, 2015.

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

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Restricted Taxes
- Open and Public Meetings Act
- Impact Fees

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Springdale Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Springdale Town for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying Letter of Findings and Recommendations. Our opinion on compliance is not modified with respect to these matters.

Springdale Town's responses to the noncompliance findings identified in our audit are described in the accompanying Letter of Findings and Recommendations. Springdale Town's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report On Internal Control Over Compliance

Management of Springdale Town is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Springdale Town internal control over compliance with the compliance requirements that could have a direct and material effect on Springdale Town to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Springdale Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Rees Certified Public Accountant, PC

Rees Certified Public Accountant, PC
Cedar City, Utah
October 1, 2015



REES CERTIFIED PUBLIC ACCOUNTANT, PC

**Letter of Findings and Recommendations
For the Year Ended June 30, 2015**

To the City Council
Springdale Town, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of the accounting records of Springdale Town for the fiscal year ended June 30, 2015, we noted a few circumstances that should be addressed for the Town to be in compliance with state laws and regulations. These areas, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration. We commend the Town and its staff for their attentiveness to controls and high ethical standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Material Weaknesses: None noted

Significant Deficiencies: None noted

COMPLIANCE AND OTHER MATTERS

Compliance Findings:

15-01 Budgetary Compliance

Finding

Utah state code 10-6-117 requires that total expenditures by fund do not exceed amounts appropriated in the final budget. Upon comparison of the expenditures and the adopted budget, it was noted that the Town expended more than was budgeted in the Debt Service, Irrigation and Drainage funds.

Recommendation

We recommend that the Town more closely monitor expenditures in the funds and amend the budget as necessary to ensure that expenditures do not exceed the appropriate budget.

Response

The Town has always strived to stay within budgeted amounts but was fouled up by depreciation expense within the utility funds. Management will more closely communicate with Pelorus Methods to track current depreciation to ensure that an appropriate amount is budgeted and therefore, keep the fund within its budget.

Other Matters: None noted

This letter is intended solely for the Mayor, Town Council and members of management and is not intended to be used and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

Rees Certified Public Accountant, PC

Rees Certified Public Accountant, PC
Cedar City, Utah
October 1, 2015