

**TOWN OF CASTLE VALLEY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**TOWN OF CASTLE VALLEY  
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ACCOUNTANTS' REVIEW REPORT

To the Mayor and Town Council  
Town of Castle Valley  
H.C. 64, Box 2705  
Castle Valley, Utah 84532

We have reviewed the accompanying financial statements of governmental activities, each major fund, and the remaining fund information of the Town of Castle Valley, as of June 30, 2009, which collectively comprise the Town's financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Castle Valley.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the generally accepted accounting principles.

The Management, Discussion and Analysis as listed in the financial section of the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING



Price, Utah

September 9, 2009

**TOWN OF CASTLE VALLEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

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As management of the Town of Castle Valley, we offer readers of the Town of Castle Valley's Financial Statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2009. It is designed to provide an overview of the Town's financial activity. It is also intended to assist the reader in focusing on significant financial issues. These include identifying changes in the Town's financial position, its ability to address the next and subsequent year's challenges, identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

**FINANCIAL HIGHLIGHTS**

- ❖ Total net assets are \$535,672 as compared to \$540,247 in the prior fiscal year. Net assets of our governmental activities increased \$1,503. Net assets of our business-type activities (Municipal Building Authority) decreased \$6,078.
- ❖ In the Town's governmental activities, expenses of \$138,246 were \$114,999 more than the program revenues received of \$23,247.
- ❖ In the Town's business-type activities, revenues of \$7,350 were \$6,078 less than the expenses of \$13,428 (including depreciation) for these business-types of activities.
- ❖ Tax revenue (property taxes, sales tax and motor carrier tax) for the year ended June 30, 2009 was \$107,921. Tax revenue increased by \$1,428 from the previous fiscal year.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most financially significant funds.

**REPORTING THE TOWN AS A WHOLE**

Our analysis of the Town as a whole begins on page 10. The Statement of Net Assets and Statement of Activities report information about the Town as a whole and about its activities in a way that helps determine if the Town is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## REPORTING THE TOWN AS A WHOLE (Continued)

These two statements report the Town's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the Town's financial position. Increases or decreases in the Town's net assets are one indicator of whether the financial position of the Town is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads and other capital assets to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including the general and administration cost, contributions to other agencies, police, fire, public works, parks department and interest on long-term debt. Property taxes, franchise fees, fines, sales taxes and state and federal grants finance most of these activities.

Business-type activities - The Town's Municipal Building Authority is reported here.

### Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds -- not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town established other funds to help it control and manage money for particular purposes (special revenue and capital projects payments) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds -- *governmental and proprietary* -- use different accounting approaches.

*Governmental funds*—Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements or on a separate statement.

*Proprietary funds* -- When the Town charges customers for the services it provides -- to outside customers -- these services are generally reported in proprietary funds. Proprietary funds are reported the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### The Town as Trustee

The Town does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

**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 private-sector business. The Town's Statement of Net Assets, which decreased during the current calendar year, presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. The government-wide financial statements include the Town's activity and those of component units (Municipal Building Authority). The analysis shown below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

**Table 1**  
**Net Assets**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Primary</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
Current and other assets	\$ 268,783	\$ 243,091	\$ 87	\$ 87	\$ 268,870	\$ 243,178
Capital assets	243,781	271,925	227,050	216,972	470,831	488,897
<b>Total assets</b>	<b>\$ 512,564</b>	<b>\$ 515,016</b>	<b>\$ 227,137</b>	<b>\$ 217,059</b>	<b>\$ 739,701</b>	<b>\$ 732,075</b>
Long-term liabilities			\$ 134,000	\$ 130,000	\$ 134,000	\$ 130,000
Other liabilities	\$ 65,454	\$ 66,403			65,454	66,403
<b>Total liabilities</b>	<b>\$ 65,454</b>	<b>\$ 66,403</b>	<b>\$ 134,000</b>	<b>\$ 130,000</b>	<b>\$ 199,454</b>	<b>\$ 196,403</b>
Net assets:						
Invested in capital assets, net of debt	\$ 243,781	\$ 271,925	\$ 93,050	\$ 86,972	\$ 336,831	\$ 358,897
Restricted	99,477	57,373			99,477	57,373
Unrestricted	103,852	119,315	87	87	103,939	119,402
<b>Total net assets</b>	<b>\$ 447,110</b>	<b>\$ 448,613</b>	<b>\$ 93,137</b>	<b>\$ 87,059</b>	<b>\$ 540,247</b>	<b>\$ 535,672</b>

In the prior year net asset balances, the Municipal Building Authority was included as a Governmental activity. The 2009 and 2008 balances have been adjusted to reflect the Municipal Building Authority as a Business-type activity throughout this report.

**Government-wide financial statements (Continued)**

Net Assets of the Town's governmental activities increased due to the decrease in the total expenses compared to the previous year (\$148,041 compared to \$138,246). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$119,315 at the end of June 30, 2009.

Net Assets of our business-type activities decreased (\$6,078). Unrestricted net assets for this group, amount to \$87. The Town's unrestricted net assets can be used to finance the continuing operations of the Municipal Building Authority.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 1,617		\$ 7,350	\$ 7,350	\$ 8,967	\$ 7,350
Operating grants and cont.	23,883	\$ 22,537			23,883	22,537
Fees and permits	652	710			652	710
<b>General Revenues:</b>						
Taxes	106,493	107,921			106,493	107,921
Donations	4,050	5,117			4,050	5,117
Investment earnings	8,098	3,464			8,098	3,464
Total revenues	\$ 144,793	\$ 139,749	\$ 7,350	\$ 7,350	\$ 152,143	\$ 147,099
<b>Program Expenses</b>						
General government	\$ 68,677	\$ 61,266			\$ 68,677	\$ 61,266
Highways and public improv.	59,568	57,124			59,568	57,124
Parks, recreation & public prope	12,446	19,856			12,446	19,856
Capital outlay						
Municipal Building Authority			\$ 13,528	\$ 13,428	13,528	13,428
Total expenses	\$ 140,691	\$ 138,246	\$ 13,528	\$ 13,428	\$ 154,219	\$ 151,674
Excess (deficiency) before transfers and special items	\$ 4,102	\$ 1,503	\$ (6,178)	\$ (6,078)	\$ (2,076)	\$ (4,575)

**Government-wide financial statements (Continued)**

**Table 2  
(Continued)  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	2008	2009	2008	2009	2008	2009
Excess (deficiency) before transfers and special items	\$ 4,102	\$ 1,503	\$ (6,178)	\$ (6,078)	\$ (2,076)	\$ (4,575)
Transfers in (out)						
Change in net assets	\$ 4,102	\$ 1,503	\$ (6,178)	\$ (6,078)	\$ (2,076)	\$ (4,575)
Net Assets - beginning	\$ 443,008	\$ 447,110	\$ 99,315	\$ 93,137	\$ 542,323	\$ 540,247
Net Assets - ending	447,110	448,613	93,137	87,059	540,247	535,672
Change in net assets	\$ 4,102	\$ 1,503	\$ (6,178)	\$ (6,078)	\$ (2,076)	\$ (4,575)

The Town's operational goals for future years are to use the allotted funds in the best interest of the Town and those who are served by the Town's operations. As revenues increase, the funds will be used to make necessary improvements in government operations, roads and recreation improvements, and purchase of supplies and equipment that are appropriate and beneficial.

**Governmental Activities**

Revenue for the Town's governmental type activities, decreased \$5,044, a 3.48 percent decrease. Total expenses using these funds decreased \$9,795, a decrease of 6.62 percent. The largest decrease in revenue occurred in interest earned compared with the prior year. The largest decrease in expenditures occurred in General government. The largest sources of funds for the current year are taxes. Net assets for governmental activities increased \$1,503 in 2009.

Costs of the Town are all centered within four programs – general government; parks, recreation and public property; highways and public improvements and Capital outlay. The net cost of expenditures (over) or under specific program revenues shows the financial burden that utilizes the taxes and other miscellaneous revenues.

**Business-type Activities**

Program revenues of the Town's business-type activities were 7,350 while expenses were 13,428. The Municipal Building Authority has been reported with the Governmental activity in the past. This is the first year the information has been reported as a separate fund.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town revised their budget. The original budget was adopted on June 19, 2008 and a final adjustment was made on June 18, 2009. The budget was amended to \$132,140 to account for a decrease in anticipated revenues. The differences in the original budget and final amended budget are summarized as follows: 1) increase in Taxes revenue of \$2,547, decrease in Intergovernmental revenues of \$8,000, decrease in Fees and permits of \$4,555, and a decrease in interest revenue of \$2,600; 2) decrease in expenditures for General government of \$1,520, decrease in Parks, recreation, and public improvements of \$5,100, and a decrease in Highways and public improvements of \$2,988.

The actual charges for expenditures were \$10,399 below the final budget amount. The most significant favorable variance of \$4,078 occurred in the expenditures for general government.

Resources for revenues were \$5,109 above the final budgeted amount. The most significant favorable variance occurred in Taxes (\$3,226).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2009, the Town had \$488,897 (net) invested in a broad range of capital assets, including well and pressure tank, buildings, vehicles, machinery and equipment, office equipment, and infrastructure (see Table 3 below). This amount represents an increase (including additions and deletions) of \$18,066, or a 3.84 percent increase over the previous year.

**Table 3**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**  
**June 30, 2009**

	Governmental Activities		Business-type Activities		Totals Primary Government	
	2008	2009	2008	2009	2008	2009
Well and pressure tank	\$ 52,475	\$ 51,002			\$ 52,475	\$ 51,002
Buildings	377	188	\$ 227,050	\$ 216,972	227,427	217,160
Vehicles, equipment and machinery	12,812	21,130			12,812	21,130
Office equipment	1,210	86			1,210	86
Roads and infrastructure	176,907	199,519			176,907	199,519
Total capital assets	\$ 243,781	\$ 271,925	\$ 227,050	\$ 216,972	\$ 470,831	\$ 488,897

**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**This year's major additions included:**

Vehicles, equipment and machinery	\$ 14,980
Roads and infrastructure	29,269
	<u>\$ 44,249</u>

The Town's fiscal year 2010 capital budget calls for spending on capital projects, improvements to roads and some equipment purchases.

**Long-term debt**

As of June 30, 2009, the Town had \$130,000 in a Community Impact Board loan outstanding. The debt represents a loan solely for the construction of the Town Hall. The following table (table 4) shows outstanding debt for the current and previous year.

**Table 4**  
**Outstanding Debt as of**  
**June 30, 2009**

	Governmental		Business-type		Totals	
	Activities		Activities		Primary	
	2008	2009	2008	2009	2008	2009
CIB loan payable			\$ 134,000	\$ 130,000	\$ 134,000	\$ 130,000
Total Debt	\$ ...	\$ ...	\$ 134,000	\$ 130,000	\$ 134,000	\$ 130,000

The debt resulted from requesting funds from the Community Impact Board, which have been used in the construction of the new Town hall. This project is complete. More detailed information about the Town's long-term liabilities is presented in Note 6 to the financial statements.

## **ECONOMIC FORECAST AND FUTURE BUDGET**

In June 2009, the Town of Castle Valley passed a budget, that projects revenues, which are lower than last year's revenues, largely as a result of expected lower property tax and sales taxes and lower interest earnings. In January 2010, ownership of Castle Valley Drive will transfer from Grand County to the Town; this will result in increased road payments from the State, but also increased expenses for road maintenance.

Expenditures budgeted in the 2010 budget include relative small adjustments compared to the final 2009 budget, but also include the management of Town elections in November 2009.

The Adjudication proceeding, which involves the Town's water rights, has not yet been finalized by the Courts, but based on attorney advice and discussion with the Division of Water Rights, the Town is strongly confident that its rights will be affirmed. As a result of that and changes in the state law, the Town has been able to return to its historic practice of making its owned water rights available to property owners for their use under Water Permit Agreements.

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

This financial report is designed to provide our community with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Treasurer at H.C. 64, Box 2705, Castle Valley, Utah 84532.

**TOWN OF CASTLE VALLEY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	<b>PRIMARY GOVERNMENT</b>		<b>TOTAL</b>
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 121,242	\$ 87	\$ 121,329
Cash and cash equivalents - restricted	57,374		57,374
Taxes receivable	64,475		64,475
Capital assets (net of accumulated depreciation):			
Buildings	188	216,972	217,160
Improvements other than buildings	250,521		250,521
Equipment	21,216		21,216
<b>Total assets</b>	<b>\$ 515,016</b>	<b>\$ 217,059</b>	<b>\$ 732,075</b>
<b><u>LIABILITIES</u></b>			
Accrued liabilities	\$ 1,928		\$ 1,928
Deferred revenue	64,475		64,475
Noncurrent liabilities:			
PCIF Building Loan payable - Due within one year		\$ 4,000	4,000
PCIF Building Loan payable - Due in more than one year		126,000	126,000
<b>Total liabilities</b>	<b>\$ 66,403</b>	<b>\$ 130,000</b>	<b>\$ 196,403</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	\$ 271,925	\$ 86,972	\$ 358,897
Restricted for:			
Class "C" Roads	20,849		20,849
Capital Projects	34,052		34,052
Reserved for:			
Capital improvements	2,472		2,472
Unrestricted	119,315	87	119,402
<b>Total net assets</b>	<b>\$ 448,613</b>	<b>\$ 87,059</b>	<b>\$ 535,672</b>

"See Accompanying Notes and Accountants' Review Report"

TOWN OF CASTLE VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>FUNCTION/PROGRAMS</b>							
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 61,266	\$ 710	\$ 527		\$ (60,029)	\$ (60,029)	\$ (60,029)
Parks, recreation, and public property	19,856				(19,856)	(19,856)	(19,856)
Highways and public improvements	57,124		21,410	\$ 600	(35,114)	(35,114)	(35,114)
Total governmental activities	\$ 138,246	\$ 710	\$ 21,937	\$ 600	\$ (114,999)	\$ (114,999)	\$ (114,999)
Business-type activities:							
Local building authority	\$ 13,428					\$ (13,428)	\$ (13,428)
Total business-type activities	\$ 13,428					\$ (13,428)	\$ (13,428)
<b>Total primary government</b>	<b>\$ 151,674</b>	<b>\$ 710</b>	<b>\$ 21,937</b>	<b>\$ 600</b>	<b>\$ (114,999)</b>	<b>\$ (13,428)</b>	<b>\$ (128,427)</b>
General revenues:							
Taxes					\$ 107,921	\$ 107,921	\$ 107,921
Donations					5,117	5,117	5,117
Interest					3,464	3,464	3,464
Rental income						\$ 7,350	\$ 7,350
Transfers in (out)							
Total general revenues, special items, and transfers					\$ 116,502	\$ 7,350	\$ 123,852
Change in net assets					\$ 1,503	\$ (6,078)	\$ (4,575)
Net assets - beginning					447,110	93,137	540,247
Net assets - ending					\$ 448,613	\$ 87,059	\$ 535,672

"See Accompanying Notes and Accountants' Review Report"

**TOWN OF CASTLE VALLEY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and investments	\$ 122,832		\$ 122,832
Cash and investments - restricted			
Class "C" road	20,849		20,849
Capital improvements/reserves		\$ 3,000	3,000
Capital projects		31,052	31,052
Other	2,472		2,472
Taxes receivable	64,475		64,475
	<u>\$ 210,628</u>	<u>\$ 34,052</u>	<u>\$ 244,680</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Cash deficit		\$ 1,589	\$ 1,589
Payroll liabilities	\$ 456		456
Retainage payable	1,472		1,472
Deferred revenue	64,475		64,475
	<u>\$ 66,403</u>	<u>\$ 1,589</u>	<u>\$ 67,992</u>
FUND BALANCES:			
Restricted for:			
Class "C" roads	\$ 20,849		\$ 20,849
Capital improvements/reserves	2,472	\$ 3,000	5,472
Capital projects		29,463	29,463
Unreserved	120,904		120,904
	<u>\$ 144,225</u>	<u>\$ 32,463</u>	<u>\$ 176,688</u>
Total fund balances	<u>\$ 144,225</u>	<u>\$ 32,463</u>	<u>\$ 176,688</u>
Total liabilities and fund balances	<u>\$ 210,628</u>	<u>\$ 34,052</u>	<u>\$ 244,680</u>

"See Accompanying Notes and Accountants' Review Report"

**TOWN OF CASTLE VALLEY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

Total fund balances - governmental fund types: \$ 176,688

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. Amounts shown are net of depreciation.

Community well/pressure tank	\$	51,002	
Buildings		188	
Vehicles, equipment, and machinery		21,130	
Roads and infrastructure		199,519	
Office equipment		86	
		271,925	271,925

Net assets of governmental activities \$ 448,613

"See Accompanying Notes and Accountants Review Report."

**TOWN OF CASTLE VALLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUND  JUNE 30, 2009
REVENUES:			
Taxes	\$ 107,921		\$ 107,921
Intergovernmental	22,537		22,537
Fees and permits	710		710
Donations	2,617	\$ 2,500	5,117
Interest revenue	3,464		3,464
 Total revenues	 \$ 137,249	 \$ 2,500	 \$ 139,749
EXPENDITURES:			
Current:			
General government	\$ 59,952		\$ 59,952
Parks, recreation, and public property	19,856		19,856
Highways and public improvements	41,933	\$ 400	42,333
Capital outlay		44,249	44,249
 Total expenditures	 \$ 121,741	 \$ 44,649	 \$ 166,390
 Excess of revenue over (under) expenditures	 \$ 15,508	 \$ (42,149)	 \$ (26,641)
FUND BALANCE, July 1, 2008	\$ 128,804	\$ 74,612	\$ 203,416
Prior Period Adjustment	(87)		(87)
FUND BALANCE, June 30, 2009	<u>\$ 144,225</u>	<u>\$ 32,463</u>	<u>\$ 176,688</u>

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Net changes in fund balances - total governmental funds	\$ (26,641)
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 the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$44,248) was more than depreciation (\$16,104) in the current period.	<u>28,144</u>
Change in net assets of governmental activities	<u>\$ 1,503</u>

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE
	MUNICIPAL BUILDING AUTHORITY
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 87
Total current assets	\$ 87
Noncurrent assets:	
Buildings	\$ 216,972
Total noncurrent assets	\$ 216,972
Total assets	\$ 217,059
<u>LIABILITIES</u>	
Current liabilities:	
Current portion - long term debt	\$ 4,000
Total current liabilities	\$ 4,000
Noncurrent liabilities:	
Revenue bonds payable	\$ 126,000
Total noncurrent liabilities	\$ 126,000
Total liabilities	\$ 130,000
Net Assets:	
Invested in capital assets, net of related debt	\$ 86,972
Reserved	87
Total net assets	\$ 87,059

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE
	MUNICIPAL BUILDING AUTHORITY
Operating revenues:	
Rental income	\$ 7,350
Total operating revenues	\$ 7,350
Operating expenses:	
Depreciation	\$ 10,078
Total operating expenses	\$ 10,078
Operating income (loss)	\$ (2,728)
Nonoperating revenues (expenses):	
Interest expense and fiscal charges	\$ (3,350)
Total nonoperating revenues (expenses)	\$ (3,350)
Change in net assets - increase (decrease)	\$ (6,078)
Total net assets - beginning	93,137
Total net assets - ending	\$ 87,059

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY**  
**STATEMENT OF CASH FLOW - PROPRIETARY FUND TYPES**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	PROPRIETARY FUND TYPES	
	ENTERPRISE	
Cash flow from operating activities:		
Cash received from customers	\$ 7,350	
Net cash (used) provided by operating activities		\$ 7,350
Cash flows from capital and related financing activities:		
Interest paid on revenue bonds	\$ (3,350)	
Principal paid on revenue bonds	(4,000)	
Net cash (used) provided by capital and related financing activities		(7,350)
Cash flow from investing activities:		
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents		\$ ...
Cash equivalents at beginning of year		87
Cash equivalents at end of year	\$ 87	

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY**  
**STATEMENT OF CASH FLOW - PROPRIETARY FUND TYPES**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	PROPRIETARY FUND TYPES	
	ENTERPRISE	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income/(loss)	\$	(2,728)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	\$	10,078
Total adjustments		10,078
Net cash provided by operating activities:	\$	7,350

"See Accompanying Notes and Accountants' Review Report."

**TOWN OF CASTLE VALLEY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The Town of Castle Valley (the Town) is a political subdivision of the State of Utah, operating as a town under Utah law as of November 1985. The Town is governed by an elected mayor and a four-member council. These individuals have overall fiscal responsibility and accountability of the Town. The Town provides the following services: highways and public improvements, parks and recreation, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described below

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the Town's activities, including infrastructure (roads, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**A. Reporting Entity**

The accompanying financial statements include the Town, which is a political subdivision with corporate powers created under Utah State law, and one blended component unit, collectively referred to as the financial reporting entity. The governing body is comprised of the council and the mayor. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its blended component unit. The blended component unit is included in the Town's reporting entity because of the significance of its operational or financial relationship with the Town.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Component Units**

In evaluating how to define the reporting entity, the Town has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. Component units are separate legal entities for which the Town is considered to be financially accountable.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board's (GASB) Statement No. 14. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Town.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, was implemented by the Town for fiscal year ended June 30, 2004. Statement 39, an amendment of Statement No. 14, provides additional criteria in determining whether certain legally separate organizations, for which the Town is not financially accountable, should be reported as component units based upon the nature and significance of their relationship with the Town. An organization is reported as a component unit of the Town, if all three of the following criteria are met: 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, 2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

There were no potential component units, which met all of the criteria outlined in Statement 39; however, there is one entity that qualified as a "blended component unit" under Statement 14.

**Blended Component Unit**

The Town of Castle Valley Municipal Building Authority was created by the Town Council as a body politic and corporate for the purpose of financing, owning, leasing, or operating facilities to meet the needs of the Town government. It is comprised of a governing body that has been appointed by the Town Council and may be removed or replaced at any time according to its discretion.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activity) report information on all of the non-fiduciary activities of the Town and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, 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. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Town reports the following major governmental funds:

- General Fund – The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- Capital Projects Fund – The Capital Projects Fund accounts for financial resources to be used for the acquisition of equipment and construction of major capital facilities (other than those financed by proprietary funds).

The Town does not report any non-major governmental funds, because all of the Town's governmental funds have been presented as major funds.

The Town reports the following major proprietary funds:

- Municipal Building Authority – The Municipal Building Authority Fund accounts for the resources for the financing, owning, leasing and operation of facilities to meet the needs of the Town government.

The Town does not report any non-major enterprise funds, because all proprietary funds have been included as major proprietary funds in the financial statements.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

**E. Budgetary Information**

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary information reflected in the financial statements.

- 1) During May of each year, the Mayor submits to the Town Council a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. The operating budget includes proposed expenditures and the proposed sources of revenues. A final budget for the current year ending June 30 is also included.
- 2) Copies of the proposed budget are made available for public inspection and review by the citizens of the Town.
- 3) If the Town does not exceed the certified tax rate, a public hearing is held prior to June 22 and the budget is legally adopted through passage of a resolution. If the Town exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- 4) Once adopted, the budget can be amended by subsequent Town Council action. The Town Council can approve reductions in appropriations, but increases in appropriations, by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- 5) Minor interim adjustments in estimated revenues and appropriations during the year ended June 30, 2009, have been included in the final budget approved by the Town Council, as presented in the financial statements.
- 6) Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and the fund level for all other funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**F. 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 six months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

**G. Capital Assets**

Capital assets, which include: well and pressure tank; buildings; vehicles, equipment and machinery; roads and infrastructure; and office equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as any asset purchased (irregardless of the cost) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Well and pressure tank; buildings; vehicles, equipment and machinery; roads and infrastructure, and office equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Well and pressure tank	40
Buildings	10 - 40
Vehicles, equip & machinery	5 - 10
Roads and infrastructure	40

**H. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**I. Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

I. **Net Assets/Fund Balances**

related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. **DEPOSITS AND INVESTMENTS**

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

The Town follows the requirements of the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7) in handling its depository and investment transactions. This law 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*

Custodial credit risk is that risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial risk. At June 30, 2009, the Town's bank balance of cash on deposit was \$18,401. The entire amount of \$18,401 was insured.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments 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 Investors 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

2. **DEPOSITS AND INVESTMENTS (Continued)**

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, and Utah Code Annotated, 1953, as amended. This 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 gains or losses on investments.

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

As of June 30, 2009, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 161,850	\$ 161,850			
Total Investments	<u>\$ 161,850</u>	<u>\$ 161,850</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>

*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 manages its risk in part by investing in the Utah Public Treasurers Investment Fund. The Town also manages 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. This further limits, the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

**2. DEPOSITS AND INVESTMENTS (Continued)**

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town has not adopted a formal policy with regards to credit risk on investments but the Town informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

At June 30, 2009, the Town had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 161,850				\$ 161,850
Total Investments	\$ 161,850	\$ ...	\$ ...	\$ ...	\$ 161,850

*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. The Town's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. As of June 30, 2009, the Town had \$161,850 invested in the Public Treasurer's Investment Fund and was held by them.

**3. RESTRICTED NET ASSETS/RESERVED FUND BALANCES**

Included in the General and Capital Projects cash and investment accounts at June 30, 2009 are the following, which are restricted as to their use:

3. **RESTRICTED NET ASSETS/RESERVED FUND BALANCES (Continued)**

	<u>RESERVED FUND BALANCES</u>	<u>RESTRICTED NET ASSETS</u>
<u>Governmental Funds</u>		
Class "C" Roads		\$ 20,849
Capital improvements/reserves		5,472
Capital Projects	\$ 29,463	
	<u>\$ 29,463</u>	<u>\$ 26,321</u>

4. **PROPERTY TAXES**

The property tax revenue of the Town is collected and distributed by the Grand County Treasurer as an agent of the Town. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until the date paid.

As of June 30, 2009, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2008 and earlier and 2) taxes assessed as of January 1, 2009, but are not due and payable until November 30, 2009. It is expected that all delinquencies, plus accrued interest and penalties, will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied, in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee, are distributed by the county to each taxing entity in which, the property is located in the same proportion in which, revenue collected from ad valorem real property tax is distributed. The Town recognizes age-based fees as revenues when collected by the county.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Well and pressure tank	\$ 58,481			\$ 58,481
Buildings	2,986			2,986
Vehicles, equip & machinery	42,645	\$ 14,980		57,625
Office equipment	6,593			6,593
Roads and infrastructure	236,995	29,269		266,264
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated:	\$ 347,700	\$ 44,249	\$ ...	\$ 391,949
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Well and pressure tank	\$ 6,006	\$ 1,473		\$ 7,479
Buildings	2,609	189		2,798
Vehicles, equip & machinery	29,833	6,662		36,495
Office equipment	5,383	1,124		6,507
Roads and infrastructure	60,088	6,657		66,745
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	\$ 103,919	\$ 16,105	\$ ...	\$ 120,024
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated, net	\$ 243,781	\$ 28,144	\$ ...	\$ 271,925
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets, net	<u>\$ 243,781</u>	<u>\$ 28,144</u>	<u>\$ ...</u>	<u>\$ 271,925</u>

5. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 266,551			\$ 266,551
Total capital assets being depreciated:	\$ 266,551	\$ ...	\$ ...	\$ 266,551
Less accumulated depreciation for:				
Buildings	\$ 39,501	\$ 10,078		\$ 49,579
Total accumulated depreciation	\$ 39,501	\$ 10,078	\$ ...	\$ 49,579
Total capital assets being depreciated, net	\$ 227,050	\$ (10,078)	\$ ...	\$ 216,972
Business-type activities capital assets, net	<u>\$ 227,050</u>	<u>\$ (10,078)</u>	<u>\$ ...</u>	<u>\$ 216,972</u>

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

<b>Governmental Activities:</b>	
General government	\$ 1,314
Highways and public improvements	<u>14,791</u>
Total depreciation expense - governmental activities	<u>\$ 16,105</u>
<b>Business-type Activities:</b>	
Municipal Building Authority	<u>\$ 10,078</u>
Total depreciation expense - business-type activities	<u>\$ 10,078</u>
Total depreciation expense	<u><u>\$ 26,183</u></u>

**6. LONG-TERM DEBT**

During 2004, the Town of Castle Valley entered into a promissory note with the Municipal Building Authority for the construction of a Town Hall in the amount of \$150,000 over a period of 30 years at 2.5% interest. Payments began on July 1, 2005 and continue each July 1 until repayment is made. The repayment schedule is as follows:

Due date	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 4,000	\$ 3,250	\$ 7,250
2011	4,000	3,150	7,150
2012	4,000	3,050	7,050
2013	4,000	2,950	6,950
2014	4,000	2,850	6,850
2015-2019	25,000	12,500	37,500
2020-2024	25,000	9,375	34,375
2025-2029	30,000	6,000	36,000
2030-2034	30,000	2,250	32,250
	<u>\$ 130,000</u>	<u>\$ 45,375</u>	<u>\$ 175,375</u>

The long-term debt activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Additions</u>	<u>Adjustments</u> <u>\$ Retirements</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Due Within</u> <u>One Year</u>
CIB Building loan	\$ 134,000		\$ 4,000	\$ 130,000	\$ 4,000
	<u>\$ 134,000</u>	<u>\$ ...</u>	<u>\$ 4,000</u>	<u>\$ 130,000</u>	<u>\$ 4,000</u>

**7. RETIREMENT**

The Town does not have a retirement program.

**8. RESTRICTED CASH**

Restricted cash shown in the General and Capital Projects Funds on the balance sheet represent amounts held for the future use in these areas.

9. **PROPERTY TAX CALENDAR**

The Town adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of January 1. The taxes are payable to the County treasurer by the end of November and are remitted to the Town by the county treasurer as collected.

10. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Town operates a Municipal Building Authority, which has made improvements or purchased real property with CIB money.

Segment information is reported for these funds due to bond issues or because of material enterprise fund operating income or loss.

A summary of the financial statements for these enterprise funds is presented below:

**CONDENSED STATEMENT OF NET ASSETS**

	<u>Municipal Building Authority</u>
Assets:	
Current assets	\$ 87
Capital assets	<u>216,972</u>
Total assets	<u>\$ 217,059</u>
Liabilities:	
Current liabilities	\$ 4,000
Noncurrent liabilities	<u>126,000</u>
Total liabilities	<u>\$ 130,000</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 86,972
Reserved	<u>87</u>
Total net assets	<u>\$ 87,059</u>

10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

**CONDENSED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS**

	<u>Municipal Building Authority</u>
Operating revenues	\$ 7,350
Depreciation expense	<u>(10,078)</u>
Operating income (loss)	<u>\$ (2,728)</u>
Nonoperating revenue (expenses):	
Interest expense and fiscal charges	<u>\$ 3,350</u>
Total nonoperating revenue (expense)	<u>\$ (3,350)</u>
Change in net assets	\$ (6,078)
Beginning net assets	<u>93,137</u>
Ending net assets	<u><u>\$ 87,059</u></u>

10. **SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	<u>Municipal Building Authority</u>
Operating revenues:	
Rental income	\$ 7,350
Depreciation expense	(10,078)
Operating income (loss)	<u>\$ (2,728)</u>
Net income (loss)	<u>\$ (6,078)</u>
Total assets	<u>\$ 217,059</u>
CIB loan payable	<u>\$ 130,000</u>
Total equity	<u>\$ 87,059</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating activities	\$ 7,350
Capital and related financing activities	<u>(7,350)</u>
Net increase (decrease)	\$ ...
Beginning cash and cash equivalents	<u>87</u>
Ending cash and cash equivalents	<u>\$ 87</u>

11. **RISK MANAGEMENT**

The Town of Castle Valley is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured through commercial companies for its general liability coverage. At June 30, 2009, the Town had no claims or judgments filed against it related to the risks mentioned above.

12. **RECEIVABLES**

Receivables as of June 30, 2009 for the Town's individual major funds consisted of property taxes that are owed for the current year, but are not billed until November 1, of the current year. Property taxes are as follows:

	<u>GENERAL FUND</u>	<u>TOTAL</u>
Receivables:		
Taxes	<u>\$ 64,475</u>	<u>\$ 64,475</u>
 Total Receivables	 <u>\$ 64,475</u>	 <u>\$ 64,475</u>

13. **RELATED PARTY TRANSACTIONS**

The Town has no related party transactions.

14. **BUDGET VARIANCE**

For the year ending June 30, 2009, the Town of Castle Valley had no unfavorable budget variances.

15. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town Council to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

16. **PRIOR PERIOD ADJUSTMENT**

During the year, a prior period adjustment was needed to correctly report the Municipal Building Authority as a separate fund. The cash balance was adjusted along with the fixed assets and corresponding debt. All of the prior years balances were restated to include the Municipal Building Authorities fund balances and balance sheet activity. The General fund cash balance was decreased by \$87 to record the cash balance in the Municipal Building Authority.

**TOWN OF CASTLE VALLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(UNFAVORABLE)</u>
<b>REVENUES:</b>				
Taxes	\$ 102,148	\$ 104,695	\$ 107,921	\$ 3,226
Intergovernmental revenues	29,600	21,600	22,537	937
Fees and permits	5,000	445	710	265
Charges for services				
Donations	2,000	2,000	2,617	617
Interest revenue	6,000	3,400	3,464	64
	<u>\$ 144,748</u>	<u>\$ 132,140</u>	<u>\$ 137,249</u>	<u>\$ 5,109</u>
<b>EXPENDITURES:</b>				
General government	\$ 65,550	\$ 64,030	\$ 59,952	\$ 4,078
Parks, recreation, and public improvements	27,150	22,050	19,856	2,194
Highways and public improvements	49,048	46,060	41,933	4,127
	<u>\$ 141,748</u>	<u>\$ 132,140</u>	<u>\$ 121,741</u>	<u>\$ 10,399</u>
Excess of revenues over (under) expenditures	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 15,508</u>	<u>\$ 15,508</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	<u>\$ 3,000</u>			
	<u>\$ 3,000</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>
Excess of revenues and other sources over (under) expenditures and other uses			\$ 15,508	\$ 15,508
Fund balances - beginning of year			128,804	128,804
Prior Period Adjustment			(87)	(87)
Fund balances - end of year	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ 144,225</u>	<u>\$ 144,225</u>