

# **Huntsville Town Corporation**

Financial Statements

With Auditors' Report Thereon

For the Year Ended June 30, 2010

# Huntsville Town Corporation

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# Ulrich & Associates, PC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huntsville Town Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of Huntsville Town Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Whit & Associates, P.C.*

October 29, 2010

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
June 30, 2010

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As management of Huntsville Town, we offer readers of the Huntsville Town financial statements this narrative overview and analysis of the financial activities of Huntsville Town for the fiscal year ended June 30, 2010.

Financial highlights

The total net assets of \$3,050,717 is made up of \$3,633,819 in capital assets and other net assets of \$504,836, less related debt of \$1,087,938.

In the enterprise funds, operating expenditures exceeded revenues by \$29,276. This includes a non-cash charge for depreciation of \$138,095. The loss before transfers was \$34,444.

Total long-term liabilities of the Town were reduced by \$17,374.

Reporting the Town as a whole

This discussion and analysis is intended to serve as an introduction to Huntsville Town's basic financial statements. Huntsville Town's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The statements of net assets presents information on all of Huntsville Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Huntsville Town is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Huntsville 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 government-wide financial statements can be found on the pages directly following this report.

Reporting the Town's most significant funds

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. Huntsville 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. These fund statements focus on how money flows into and out of these 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 other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users 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 included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund, capital projects fund, and the cemetery perpetual care permanent fund.

*Enterprise funds* - Huntsville Town maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Huntsville Town uses an enterprise fund to account for its water and sewer utilities, and new in fiscal year 2010 the Town started a enterprise fund to account for its Forth of July activities.

As determined by generally accepted accounting principles, the utility enterprise fund meets the criteria of major fund classification and the Forth of July fund will be reported as a major fund even though it doesn't meet the criteria of major fund classification.

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
June 30, 2010

Government-wide financial analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of Huntsville Town, assets exceeded liabilities by \$3,050,717, a decrease of \$85,433 over the prior year. This decrease was mostly a result of the addition of fixed assets less non-cash charges of depreciation, the largest amount of depreciation being from the water system. By far, the largest portion of Huntsville Town's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town has chosen to provide for a cemetery perpetual care fund. In the government-wide financials, the cost of cemetery care and maintenance totaled \$14,539. Revenues are generated from lot sales, interment fees, and interest earnings. The town allocates 50% of the lot fee and 50% of the interment fee to the perpetual care fund. The Town is trying to reach a balance of \$200,000 in this fund. At present, the balance is around \$150,000. Interest earnings are transferred to the general fund to be used for upkeep and maintenance. The Town has recently completed a new section of the cemetery which when open, will provide more income and an opportunity to reach the goal of \$200,000 in the PTIF Perpetual Care Fund.

Statement of net assets

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Current and other assets	\$ 319,964	310,498	267,595	219,468
Capital assets	546,910	611,329	3,086,909	3,163,611
Total assets	866,874	921,827	3,354,504	3,383,079
Long-term debt outstanding	-	-	1,087,938	1,105,312
Other liabilities	45,506	39,469	37,217	23,975
Total liabilities	45,506	39,469	1,125,155	1,129,287
Net assets				
Invested in capital assets, net of debt	546,910	611,329	1,998,971	2,058,299
Restricted	167,579	142,648	70,828	74,137
Unrestricted	106,879	128,381	159,550	121,356
Total net assets	\$ 821,368	882,358	2,229,349	2,253,792

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
June 30, 2010

<u>Changes in net assets</u>	Government Activities 2010	Business- Type Activities 2010
	<u>2010</u>	<u>2010</u>
Revenues		
Program revenues		
Charges for services	\$ 104,934	210,709
Operating grants & contributions	11,251	7,450
General revenues		
Property taxes	41,047	-
General sales and use tax	76,310	-
Muni telecom tax	8,636	-
Interest income	1,492	1,351
Total revenues	<u>243,670</u>	<u>219,510</u>
Expenses		
General government	144,958	-
Public safety/court	47,277	-
Highways/public works	32,700	-
Parks and recreation	54,753	-
Other	14,972	-
Water & waste collection	-	233,756
Fourth of July	-	6,229
Total expenses	<u>294,660</u>	<u>239,985</u>
Transfers	(10,000)	10,000
Impact fees	-	-
Federal grant	-	38,163
Interest expense	-	(52,130)
Increase (decrease) in net assets	<u>(60,990)</u>	<u>(24,442)</u>
Net assets, beginning of year	<u>882,358</u>	<u>2,253,792</u>
Net assets, end of year	<u>\$ 821,368</u>	<u>2,229,350</u>

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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Financial analysis of governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2010, the Town's general fund reported a fund balance of \$75,040. This represents an increase of \$13,291 (21.5%) from last year's ending balances. The increase was budgeted for by management, and included a transfer to the utility fund to reduce the general fund balance while helping with capital expenditures for the new water project (which is being funded primarily by a grant) and other purchases in the water fund.

The general fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

The Town is in the process of opening up a separate checking account for only B & C Roads funds. This will make it easier for the Town Council to see what revenue has come in and how much is expensed for Town roads.

Taxes continue to be the largest source of revenue in the general fund and represent 48% of total general fund revenues, which is very consistent with prior years. The largest element of taxes is sales tax, as has been the case for the last several years. Sales tax is 61% and property tax 31% of general fund tax revenue.

Historically, the Town has maintained only one enterprise fund to account for their business-type activities. In the current year, the Town created a Fourth of July enterprise fund to better account for these activities. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

Significant changes in the governmental funds include another overall decrease in revenues. Once again this year, sales tax decreased but has started to stabilize with the current economic changes in the State. Building permits decreased greatly in the current year and there was no impact fee revenue due to virtually no growth in the Town. Fines and forfeitures were about the same in the current even though the court was transferred to the Weber County Court. This change was initiated during the prior year but was still transitioning in the current year with the final cut-off taking place November 1, 2009. Beginning January 1, 2011, plans are to once again have a Justice Court at Huntsville Town in connection with the Roy City Court. This court will include all citations that are issued in the Ogden Valley and Ogden Canyon.

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2010**

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In the prior year, the Town was awarded a Community Development Block Grant (CDBG), which is a reimbursement grant, for the continuation of the water line project. The 2009 award total was \$118,300 with a receivable of \$72,850 at June 30, 2009. The remaining expenditure in the current year was \$38,162, with the full receipt of remaining funds. Additionally, there was a \$17,374 decrease in debt due to regular principal payments.

General fund budgetary highlights

During the current fiscal year, the general fund's original budget was amended from an expenditure total of \$270,000 to a final budget of \$276,100 for an increase of \$6,100 or 2%. These budget increases were made by council decision (and approved at council meeting after a public hearing) to get each account to the desired balance at year end.

Capital asset and debt administration

*Capital assets*

Huntsville Town continued to have increases in infrastructure and improvements. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$19,731 of machinery and equipment and \$139,104 in improvements. The water improvements have consisted mainly of replacing water lines in the Town, and continues to be funded primarily by CDBG reimbursement grants. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

Major capital asset events during the current fiscal year included the following:

- \$71,847 in water system improvements (prior year construction in process).
- \$47,092 in water system improvements.
- \$14,300 for equipment at the water plant.
- \$14,062 for ball diamond improvements in the capital projects fund.
- \$6,103 in park improvements in the capital projects fund.
- \$5,431 in general fund machinery.

**Huntsville Town Corporation**  
**Management's Discussion and Analysis**  
**June 30, 2010**

Huntsville Town's Capital Assets

	Government Activities 2010	Business- Type Activities 2010
	<u>2010</u>	<u>2010</u>
Land	\$ 53,000	-
Water stock and rights	-	6,000
Buildings	349,442	-
Improvements	228,171	-
Distribution mains and reservoir	-	4,128,666
Machinery and equipment	495,507	96,723
Infrastructure	25,344	-
Less: Accumulated depreciation	<u>(604,554)</u>	<u>(1,144,480)</u>
Total	<u>\$ 546,910</u>	<u>3,086,909</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

*Long-term debt*

At June 30, 2010, the Town had total bonded debt outstanding of \$1,087,938. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

Huntsville Town's Long-Term Debt

	Business- Type Activities 2010
	<u>2010</u>
Water revenue bonds	<u>\$ 1,087,938</u>

The Town's total debt decreased by \$17,374 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

# Huntsville Town Corporation

## Statement of Net Assets

June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 237,253	164,558	401,811
Accounts receivable - net	63,851	32,209	96,060
Due from other funds	18,860	-	18,860
Restricted assets			
Cash and cash equivalents	-	70,828	70,828
Capital assets (net of accumulated depreciation)			
Land	53,000	-	53,000
Water rights	-	6,000	6,000
Buildings	176,049	-	176,049
Improvements	135,278	3,056,393	3,191,671
Machinery and equipment	169,443	24,516	193,959
Infrastructure	13,140	-	13,140
Total assets	<u>866,874</u>	<u>3,354,504</u>	<u>4,221,378</u>
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	5,751	18,357	24,108
Due to other funds	(1)	18,860	18,859
Other current liabilities	1,359	-	1,359
Deferred revenue	38,397	-	38,397
Loan payable revenue bonds - current	-	18,081	18,081
Loan payable revenue bonds - noncurrent	-	1,069,857	1,069,857
Total liabilities	<u>45,506</u>	<u>1,125,155</u>	<u>1,170,661</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	546,910	1,998,971	2,545,881
Restricted for debt	-	70,828	70,828
Restricted for cemetery perpetual care	150,623	-	150,623
Restricted for Class C road	16,956	-	16,956
Unrestricted	106,879	159,550	266,429
Total net assets	<u>\$ 821,368</u>	<u>2,229,349</u>	<u>3,050,717</u>

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

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

Function/Programs Primary government	Program Revenues				Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government	
			Grants and Contributions	Program Specific Capital Grants		Business-type Activities	Total
Governmental activities							
General government	\$ 144,958	22,333	-	-	\$ (122,625)	-	(122,625)
Public safety/court	47,277	28,001	1,060	-	(18,216)	-	(18,216)
Highways and public works	32,700	-	5,191	-	(27,509)	-	(27,509)
Parks and recreation	54,753	38,650	-	-	(16,103)	-	(16,103)
Cemetery	14,539	15,950	-	-	1,411	-	1,411
Capital outlay	433	-	5,000	-	4,567	-	4,567
Total governmental activities	294,660	104,934	11,251	-	(178,475)	-	(178,475)
Business-type activities							
Water utility	193,865	161,455	-	38,163	-	5,753	5,753
Waste collection	39,891	49,254	-	-	-	9,363	9,363
Fourth of July	6,229	-	7,450	-	-	1,221	1,221
Total business-type activities	239,985	210,709	7,450	38,163	-	16,337	16,337
Total primary government	\$ 534,645	315,643	18,701	38,163	(178,475)	16,337	(162,138)
General revenues							
Property taxes					41,047	-	41,047
General sales and use tax					76,310	-	76,310
Muni telecom tax					8,636	-	8,636
Net interest earnings (expense)					1,492	(50,779)	(49,287)
Transfers					(10,000)	10,000	-
Total general revenues					117,485	(40,779)	76,706
Change in net assets					(60,990)	(24,442)	(85,432)
Net assets - beginning					882,358	2,253,792	3,136,150
Net assets - ending					\$ 821,368	2,229,350	3,050,718

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

**Huntsville Town Corporation**  
**Balance Sheet**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 33,878	52,752	150,623	237,253
Receivables (net)	63,853	-	-	63,853
Due from other funds	19,565	-	-	19,565
Total assets	<u>117,296</u>	<u>52,752</u>	<u>150,623</u>	<u>320,671</u>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	2,500	3,252	-	5,752
Other current liabilities	1,359	-	-	1,359
Due to other funds	-	705	-	705
Deferred revenue	38,397	-	-	38,397
Total liabilities	<u>42,256</u>	<u>3,957</u>	<u>-</u>	<u>46,213</u>
<b>Fund Balances</b>				
Reserved for				
Class C roads	16,956	-	-	16,956
Unreserved, reported in				
General Fund	58,084	-	-	58,084
Capital Projects	-	48,795	-	48,795
Cemetery Perpetual Care	-	-	150,623	150,623
Total fund balances	<u>75,040</u>	<u>48,795</u>	<u>150,623</u>	<u>274,458</u>
Total liabilities and fund balances	<u>\$ 117,296</u>	<u>52,752</u>	<u>150,623</u>	<u>320,671</u>

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

**Huntsville Town Corporation**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2010**

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

Total fund balances - governmental fund types	\$ 274,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	546,910
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Net assets of government activities	<u>\$ 821,368</u>

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

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

	General Fund	Capital Projects	Cemetery Perpetual Care	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 125,993	-	-	125,993
Licenses and permits	3,482	-	-	3,482
Intergovernmental	39,686	5,000	-	44,686
Charges for services	60,325	-	7,975	68,300
Fines and forfeitures	28,001	-	-	28,001
Interest	254	277	961	1,492
Miscellaneous revenue	5,136	15	-	5,151
Total revenues	<u>262,877</u>	<u>5,292</u>	<u>8,936</u>	<u>277,105</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	117,730	2,607	-	120,337
Public safety/court	47,277	-	-	47,277
Highways and public works	27,275	-	-	27,275
Parks and recreation	23,386	31,020	-	54,406
Cemetery	13,948	-	-	13,948
Capital outlay	431	-	-	431
Total expenditures	<u>230,047</u>	<u>33,627</u>	<u>-</u>	<u>263,674</u>
Excess revenues over (under) expenditures	<u>32,830</u>	<u>(28,335)</u>	<u>8,936</u>	<u>13,431</u>
<b>Other financing sources (uses)</b>				
Transfers in	961	10,500	-	11,461
Transfers (out)	(20,500)	-	(961)	(21,461)
Total other financing sources and uses	<u>(19,539)</u>	<u>10,500</u>	<u>(961)</u>	<u>(10,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	13,291	(17,835)	7,975	3,431
Fund balance - beginning of year	61,749	66,630	142,648	271,027
Fund balance - end of year	<u>\$ 75,040</u>	<u>48,795</u>	<u>150,623</u>	<u>274,458</u>

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

**Huntsville Town Corporation**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2010**

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

Net changes in fund balances - total governmental funds	\$ 3,431
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>(64,421)</u>
Change in net assets of governmental activities	<u>\$ (60,990)</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Taxes	\$ 135,700	135,700	125,993	(9,707)
Licenses and permits	19,800	7,800	3,482	(4,318)
Intergovernmental	44,500	43,500	39,686	(3,814)
Charges for services	53,200	56,100	60,325	4,225
Fines and forfeitures	12,000	30,000	28,001	(1,999)
Interest	5,746	5,723	254	(5,469)
Miscellaneous revenue	2,000	11,500	5,136	(6,364)
Total revenues	272,946	290,323	262,877	(27,446)
<b><u>Expenditures</u></b>				
<b>Current</b>				
General government	138,900	133,500	117,730	15,770
Public safety/court	47,000	47,000	47,277	(277)
Highways and public works	36,700	45,500	27,275	18,225
Parks and Recreation	20,000	21,000	23,386	(2,386)
Cemetery	17,400	19,100	13,948	5,152
Capital outlay	10,000	10,000	431	9,569
Total expenditures	270,000	276,100	230,047	46,053
Excess revenues over (under) expenditures	2,946	14,223	32,830	18,607
<b><u>Other financing sources (uses)</u></b>				
Transfers in	-	-	961	961
Transfers (out)	(50,000)	(20,500)	(20,500)	-
Total other financing sources and uses	(50,000)	(20,500)	(19,539)	961
Excess of revenues and other sources over (under) expenditures and other uses	(47,054)	(6,277)	13,291	19,568
Fund balances - beginning of year	61,749	61,749	61,749	-
Fund balances - end of year	\$ 14,695	55,472	75,040	19,568

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

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

	Business-Type Activities - Enterprise		
	Public Utility	Fourth of July	Total
<b><u>Assets</u></b>			
Current assets			
Cash and cash equivalents	\$ 162,837	1,721	164,558
Accounts receivable - net	32,209	-	32,209
Total current assets	<u>195,046</u>	<u>1,721</u>	<u>196,767</u>
Noncurrent assets			
Restricted cash and cash equivalents	70,828	-	70,828
Land, equipment, buildings and improvements	4,231,389	-	4,231,389
Less: Accumulated depreciation	(1,144,480)	-	(1,144,480)
Total noncurrent assets	<u>3,157,737</u>	<u>-</u>	<u>3,157,737</u>
Total assets	<u><u>3,352,783</u></u>	<u><u>1,721</u></u>	<u><u>3,354,504</u></u>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable and accrued liabilities	18,357	-	18,357
Due to other funds	18,360	500	18,860
Loan payable revenue bonds - current	18,081	-	18,081
Total current liabilities	<u>54,798</u>	<u>500</u>	<u>55,298</u>
Noncurrent liabilities			
Loan payable revenue bonds - noncurrent	1,069,857	-	1,069,857
Total noncurrent liabilities	<u>1,069,857</u>	<u>-</u>	<u>1,069,857</u>
Total liabilities	<u>1,124,655</u>	<u>500</u>	<u>1,125,155</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	1,998,971	-	1,998,971
Restricted for debt	70,828	-	70,828
Unrestricted	136,922	1,221	138,143
Designated for debt service acceleration	21,408	-	21,408
Total net assets	<u>2,228,129</u>	<u>1,221</u>	<u>2,229,350</u>
Total liabilities and net assets	<u><u>\$ 3,352,784</u></u>	<u><u>1,721</u></u>	<u><u>3,354,505</u></u>

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

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

	Business-Type Activities - Enterprise Funds				
	Public Utility Fund				
	Water Utility	Waste Collection	Total	Fourth of July	Total
<b>Operating Revenues</b>					
Charges for services	\$ 161,455	49,254	\$ 210,709	-	210,709
Total operating revenues	<u>161,455</u>	<u>49,254</u>	<u>210,709</u>	<u>-</u>	<u>210,709</u>
<b>Operating Expenses</b>					
Salaries and wages	16,955	-	16,955		16,955
Employee benefits	1,405	-	1,405		1,405
Maintenance and supplies	37,410	39,891	77,301	6,229	83,530
Depreciation and amortization	138,095	-	138,095		138,095
Total operating expenses	<u>193,865</u>	<u>39,891</u>	<u>233,756</u>	<u>6,229</u>	<u>239,985</u>
Operating income (loss)	<u>\$ (32,410)</u>	<u>9,363</u>	<u>(23,047)</u>	<u>(6,229)</u>	<u>(29,276)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Donations			-	7,450	7,450
Interest revenue			1,351	-	1,351
Interest expense and fiscal charges			(52,130)	-	(52,130)
Impact fees			-	-	-
Federal grant			38,162	-	38,162
Total nonoperating revenues (expenses)			<u>(12,617)</u>	<u>7,450</u>	<u>(5,167)</u>
Income (loss) before contributions and transfers			(35,664)	1,221	(34,443)
Operating transfers in			<u>10,000</u>		<u>10,000</u>
Change in net assets			(25,664)	1,221	(24,443)
Total net assets - beginning			<u>2,253,792</u>	<u>-</u>	<u>2,253,792</u>
Total net assets - ending			<u>\$2,228,128</u>	<u>1,221</u>	<u>2,229,349</u>

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

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

	Public Utility Fund	Fourth of July Fund	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 204,375	-	204,375
Payments to suppliers	(64,059)	(6,229)	(70,288)
Payments to employees	(18,360)	-	(18,360)
Net cash provided (used) by operating activities	<u>121,956</u>	<u>(6,229)</u>	<u>115,727</u>
<b>Cash flows from noncapital financing activities</b>			
Donations	-	7,450	7,450
Transfers from other funds	10,000	-	10,000
Net cash provided (used) by noncapital financing activities	<u>10,000</u>	<u>7,450</u>	<u>17,450</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	(61,392)	-	(61,392)
Federal grant	111,014	-	111,014
Principal paid on capital debt	(17,374)	-	(17,374)
Interest paid on capital debt	(52,130)	-	(52,130)
Net cash provided (used) by capital and related financing activities	<u>(19,882)</u>	<u>-</u>	<u>(19,882)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends received	1,351	-	1,351
Net cash provided (used) by investing activities	<u>1,351</u>	<u>-</u>	<u>1,351</u>
Net increase (decrease) in cash and cash equivalents	113,425	1,221	114,646
Cash and cash equivalents - beginning (including \$10,004 and \$64,133 for impact fee reserve and loan reserve, respectively, reported as restricted)	120,740	-	120,740
Cash and cash equivalents - ending (including \$70,828 for loan reserve reported as restricted)	<u>\$ 234,165</u>	<u>1,221</u>	<u>235,386</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (23,047)	(6,229)	(29,276)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	138,095	-	138,095
(Increase) decrease in accounts receivable	(6,334)	-	(6,334)
Increase (decrease) in accounts payable	13,242	-	13,242
Total adjustments	<u>145,003</u>	<u>-</u>	<u>145,003</u>
Net cash provided (used) by operating activities	<u>\$ 121,956</u>	<u>(6,229)</u>	<u>115,727</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# Huntsville Town Corporation

## Notes to Financial Statements

For the Year Ended June 30, 2010

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### Note 1 - Summary of Significant Accounting Policies

#### Reporting entity

Huntsville Town is a municipal corporation governed by an elected mayor and a four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, 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 statements. There are no fiduciary funds required to be included in the Town's financial statements.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

**Note 1 - Summary of Significant Accounting Policies - continued**

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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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 government 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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *capital projects fund* is used to account for financial resources used in the acquisition and construction of major capital improvements.

The *cemetery perpetual care permanent fund* is used to account for certain fees from the purchase of burial rights that are held in this fund. Interest earned from investing these funds is transferred to the general fund to aid in financing cemetery care and maintenance.

The Town reports the following major enterprise funds:

The *water fund* accounts for the operations of the Town's water and sewer system.

The *fourth of July fund* accounts for the operations of the Town's yearly celebration.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

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**Note 1 - Summary of Significant Accounting Policies - continued**

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Assets, liabilities, and net assets or equity**

1. Deposits and investments

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.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

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**Note 1 - Summary of Significant Accounting Policies - continued**

Investments for the Town are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

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

Franchise Muni Telecom taxes are also collected by the State Tax Commission and are remitted to the Town monthly.

**3. Restricted cash and cash equivalents**

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

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**Note 1 - Summary of Significant Accounting Policies - continued**

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town had no donated assets for the year ended June 30, 2010. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	15-30
Vehicles	5
Equipment	3-15

5. 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.

6. Fund equity/net assets

Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

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

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

The governmental fund balance sheet includes a reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$1,151,464
Accumulated depreciation	<u>(604,554)</u>
Total difference	<u>\$ 546,910</u>

Explanation of differences between governmental fund operating statements and the statement of activities.

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

Capital outlay	\$ 25,596
Net disposals	(33,435)
Depreciation expense	<u>(56,580)</u>
Net difference as reported	<u>\$ (64,419)</u>

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

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**Note 3 - Stewardship, Compliance, and Accountability**

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by Huntsville Town Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made increasing general fund expenditures by \$6,100. In the current year, two departments exceeded final budget appropriations as detailed in the schedule of findings.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget. At year end, the Town's general fund balance was in compliance.

**Note 4 - Detailed Notes on all Funds**

Deposits and investments

The Town maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirement which an institution must maintain to be eligible to accept public funds.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

**Note 4 - Detailed Notes on all Funds - continued**

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

*Custodial credit risk - Deposits.* This is the risk that in the event of a bank failure, the government's deposits may not be recovered. 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, 2010, none of the \$103,084 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - Investments.* This 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 that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

As of June 30, 2010, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	\$ 103,084
State Treasurer's Investment fund	<u>398,998</u>
Total cash and investments	<u>\$ 502,081</u>

*Credit risk.* This is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 participants' average daily balances.

For the year ended June 30, 2010, the Town had investments of \$398,998 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

**Note 4 - Detailed Notes on all Funds - continued**

*Interest rate risk.* This is the risk that changes in interest rates of debt investment that will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Cash and investments reported in the statement of net assets are as follows:

Cash on deposit	\$ 98,641
Utah State Treasurer's Investment Fund	373,998
Total cash and investments	<u>\$ 472,639</u>

Components of cash and investments (including interest earning deposits) at June 30, 2010, are as follows:

Cash and cash equivalents	\$ 401,811
Restricted cash and cash equivalents and investments	<u>70,828</u>
Total cash and investments	<u>\$ 472,639</u>

**Receivables**

Receivables as of year end for the government's general and enterprise funds are as follows:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ -	32,209	32,209
Property tax	342	-	342
Sales and muni telecom tax	15,243	-	15,243
B & C road revenue	8,126	-	8,126
Deferred property tax revenue	38,397	-	38,397
Other	1,744	-	1,744
	<u>\$ 63,852</u>	<u>32,209</u>	<u>96,061</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

**Note 4 - Detailed Notes on all Funds - continued**

Capital assets

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

<b>Primary government</b>	Beginning			Ending
<b>Governmental activities</b>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 53,000	-	-	53,000
Total capital assets not being depreciated	53,000	-	-	53,000
Capital assets being depreciated				
Buildings	349,442	-	-	349,442
Improvements	208,006	20,165	-	228,171
Machinery and equipment	523,511	5,431	(33,435)	495,507
Infrastructure	25,344	-	-	25,344
Total capital assets being depreciated	1,106,303	25,596	(33,435)	1,098,464
Less accumulated depreciation for				
Buildings	183,924	9,634	-	193,558
Improvements	57,911	14,817	-	72,728
Machinery and equipment	297,192	28,872	-	326,064
Infrastructure	8,947	3,257	-	12,204
Total accumulated depreciation	547,974	56,580	-	604,554
Total capital assets, being depreciated, net	558,329	(30,984)	(33,435)	493,910
Governmental activities capital assets, net	\$ 611,329	(30,984)	(33,435)	546,910
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in process	\$ 71,847	-	(71,847)	-
Water stock and rights	6,000	-	-	6,000
Total capital assets not being depreciated	77,847	-	(71,847)	6,000
Capital assets being depreciated				
Distribution mains and reservoir	4,009,727	118,939	-	4,128,666
Machinery and equipment	82,423	14,300	-	96,723
Total capital assets being depreciated	4,092,150	133,239	-	4,225,389

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
For the Year Ended June 30, 2010

**Note 4 - Detailed Notes on all Funds - continued**

Capital assets - continued

Less accumulated depreciation for				
Distribution mains and reservoir	937,676	134,597	-	1,072,273
Machinery and equipment	68,710	3,497	-	72,207
Total accumulated depreciation	1,006,386	138,094	-	1,144,480
Total capital assets, being depreciated, net	3,085,764	(4,855)	-	3,080,909
Business-type activities capital assets, net	\$ 3,163,611	(4,855)	(71,847)	3,086,909

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

Governmental activities	
General government	\$ 21,363
Public safety	-
Highways and public improvements	8,656
Parks and recreation	21,612
Cemetery	1,691
Infrastructure	3,258
Total depreciation expense - governmental activities	<u>56,580</u>
Business-type activities	
Public utilities	<u>138,094</u>
Total depreciation expense - business-type activities	<u>138,094</u>
Total depreciation expense	<u><u>\$ 194,674</u></u>

Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances are for what is owed the general fund at June 30, 2010. Public utility portion is for water wages paid:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General fund	\$ 19,565	-
Capital projects	-	705
Fourth of July	-	500
Public utility	-	18,360
	<u>\$ 19,565</u>	<u>19,565</u>

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
For the Year Ended June 30, 2010

**Note 4 - Detailed Notes on all Funds - continued**

Interfund transfers:

<u>Transfers Out</u>	<u>Transfers In</u>			Total Transfers Out
	General Fund	Capital Projects Fund	Public Utility Fund	
General fund	\$ -	10,500	10,000	20,500
Cemetery perpetual care	961	-	-	961
Total transfer in	<u>\$ 961</u>	<u>10,500</u>	<u>10,000</u>	<u>21,461</u>

**Revenue bonds**

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the 1997 Series A bond was \$813,000 with monthly installments of \$3,862 beginning June 1, 2001, due in 2039. The original debt of the 1999 Series B bond was \$349,000 with monthly installments of \$1,658 beginning June 1, 2001, due in 2039. The original debt of the Series C bond was \$57,200 with monthly installments of \$262, due in 2039. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
1997 Series A Water fund	4.75%	\$ 725,566
1999 Series B Water fund	4.75%	311,448
Series C Water fund	4.75%	50,924
		<u>\$ 1,087,938</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	18,081	51,423
2012	18,958	50,546
2013	19,879	49,625
2014	20,844	48,660
2015	21,856	47,648
2016-2020	126,263	221,257
2021-2025	160,037	187,483
2026-2030	203,011	144,509
2031-2035	257,100	90,420
2036-2040	241,909	26,050
Total	<u>\$ 1,087,938</u>	<u>917,621</u>

**Huntsville Town Corporation**  
**Notes to Financial Statements-continued**  
**For the Year Ended June 30, 2010**

**Note 4 - Detailed Notes on all Funds - continued**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
Water revenue bonds	\$ 1,105,312	-	(17,374)	1,087,938	18,081
Total bonds payable	\$ 1,105,312	-	(17,374)	1,087,938	18,081

**Note 5 - Other Information**

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 for which the government carries commercial insurance.

Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Subsequent events

Subsequent events have been evaluated through October 29, 2010, the date that the financial statements were available to be issued. Nothing of significance was noted.

## **SUPPLEMENTARY INFORMATION**

**Huntsville Town Corporation**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**Capital Projects**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Intergovernmental	\$ 40,000	5,000	5,000	-
Interest	1,500	1,000	277	(723)
Miscellaneous	-	-	15	15
Total revenues	41,500	6,000	5,292	(708)
<b><u>Expenditures</u></b>				
<b>Current</b>				
General government	32,000	5,000	2,607	2,393
Parks and recreation	37,100	36,000	31,020	4,980
Cemetery	13,000	-	-	-
Total expenditures	82,100	41,000	33,627	7,373
Excess revenues over (under) expenditures	(40,600)	(35,000)	(28,335)	6,665
<b>Other financing sources (uses)</b>				
Transfers in	25,000	10,500	10,500	-
Transfers (out)	-	-	-	-
Total other financing sources and uses	25,000	10,500	10,500	-
Excess of revenues and other sources over (under) expenditures and other uses	(15,600)	(24,500)	(17,835)	6,665
Fund balances - beginning of year	66,630	66,630	66,630	-
Fund balances - end of year	\$ 51,030	42,130	48,795	6,665

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

## **OTHER REPORTS**

# Ulrich & Associates, PC

Certified Public Accountants

## 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*

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation as of and for the year ended June 30, 2010, which collectively comprise Huntsville Town Corporation's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntsville Town Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Huntsville Town Corporation, in a separate letter dated October 29, 2010.

This report is intended solely for the information and use of management, the Town Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Ulrich & Associates, P.C.*

October 29, 2010

# Ulrich & Associates, PC

Certified Public Accountants

## STATE LEGAL COMPLIANCE REPORT

The Honorable Mayor and Members  
of the Town Council  
Huntsville Town Corporation  
Huntsville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Huntsville Town Corporation for the year ended June 30, 2010, and have issued our report thereon dated October 29, 2010. As part of our audit, we have audited Huntsville Town Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds  
Liquor Law Enforcement

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

Public Debt	B & C Road Funds
Cash Management	Other General Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Impact Fees
Tax Limitations	Asset Forfeiture
Liquor Law Enforcement	Fund Balance

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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

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

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

*Wick & Associates, P.C.*

October 29, 2010

# Huntsville Town Corporation

## Schedule of Findings

### State Legal Compliance

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#### 1 Uniform Building Code Standards

Each municipality is required to file a quarterly report indicating the total amount collected for building permits within their jurisdiction. The report remittance is to be mailed to the division of Occupational and Professional Licensing no later than 30 days following the end of each quarter. For the current year, the Town had three quarterly reports filed late, with one timely filed report. We recommend that the Town assign personnel to oversee quarterly reports to insure they are filed accurately and timely with the State.

#### Management Response

Management has changed the responsibility of the Town personnel completing and submitting the reports to insure they will be filed timely.

#### 2 Budgetary Compliance

Municipalities shall not incur expenditures in excess of the total appropriation for any department or fund. In the General fund, no departments should exceed the final adopted budget amounts. In the current year, general government exceeded final budget amounts in public safety by \$277, and parks and recreation exceeded the final budget amount by \$2,386.

#### Management Response

The Town will review expenditures to budget in council meeting and work with those responsible for budgeting and monitoring to avoid this issue in the future.