

TOWN OF DANIEL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

TOWN OF DANIEL
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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Daniel
Daniel, UT

December 28, 2011

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Daniel, Utah, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Daniel'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 statements 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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Daniel, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 a report dated December 28, 2011 on our consideration of the Town of Daniel's internal control structure over financial reporting and on our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Daniel, we offer readers of the Town of Daniel's financial statements this narrative overview and analysis of the financial activities of the Town of Daniel for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The government-wide financial statements reported total net assets of \$2,220,958, which is made up of \$1,906,574 in capital assets net of related debt, \$107,278 is restricted for roads, \$1,730 is restricted for impact fees and \$205,376 in unrestricted net assets.
- The Town's governmental funds as of the end of the current fiscal year reported an ending fund balance of \$269,735. Of this amount \$107,278 is restricted for roads, \$1,730 is restricted for impact fees, and \$160,727 is unassigned in the fund balance.
- In the enterprise (proprietary) funds, operating revenues are \$71,287 and corresponding operating expenses are \$45,532.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Daniel's basic financial statements. The Town of Daniel'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 supplemental information in addition to the basic financial statements.

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

- *The statement of net assets* presents information on all of the Town of Daniel'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 the Town of Daniel is improving or deteriorating. However, you will also need to consider other non-financial 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 the Town of Daniel that are principally supported by taxes and intergovernmental revenues (governmental activities) and 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 pages 8 and 9 of 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. The Town of Daniel 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 essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial 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 government 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 governmental fund financial statements can be found on pages 10-13 of this report.

The major governmental fund (as determined by generally accepted accounting principles) is the general fund.

- **Proprietary funds** – Town of Daniel maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Daniel uses an enterprise fund to account for its water utility operations.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

The major proprietary fund (as determined by generally accepted accounting principles) is the water fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may over time serve as a useful indicator of a government's financial position. In the case of the Town of Daniel, assets exceed liabilities by \$2,220,958.

By far the largest portion of the Town of Daniel's net assets (86%) is reflected in its investment in capital assets (e.g., land, infrastructure assets, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Town's net assets:

Town of Daniel's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 325,058	\$ 302,808	\$ 659,663	\$ 333,572	\$ 984,721	\$ 636,380
Capital assets	173,711	181,894	2,755,863	1,330,954	2,929,574	1,512,848
Total assets	498,769	484,702	3,415,526	1,664,526	3,914,295	2,149,228
Long-term debt outstanding	-	-	1,023,000	430,869	1,023,000	430,869
Other liabilities	52,868	70,471	617,469	318,773	670,337	389,244
Total liabilities	52,868	70,471	1,640,469	749,642	1,693,337	820,113
Net assets:						
Invested in capital assets,						
Net of related debt	173,711	181,894	1,732,863	900,085	1,906,574	1,081,979
Restricted	109,008	86,965	-	-	109,008	86,965
Unrestricted	163,182	145,372	42,194	14,799	205,376	160,171
Total net assets	\$ 445,901	\$ 414,231	\$ 1,775,057	\$ 914,884	\$ 2,220,958	\$ 1,329,115

Town of Daniel's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,102	\$ 7,826	\$ 72,724	\$ 49,188	\$ 76,826	\$ 57,014
Operating grants & contrib	650	1,791	-	-	650	1,791
Capital grants & contrib	39,394	39,449	836,098	931,907	875,492	971,356
General revenues:						
Property taxes	56,439	55,945	-	-	56,439	55,945
Sales & use tax	65,868	55,285	-	-	65,868	55,285
Energy tax	33,436	73,821	-	-	33,436	73,821
State liquor tax	305	302	-	-	305	302
Other	1,773	748	-	15,421	1,773	16,169
Total revenues	201,967	235,167	908,822	996,516	1,110,789	1,231,683
Expenses:						
General government	144,763	135,521	-	-	144,763	135,521
Highways & Streets	25,534	22,192	-	-	25,534	22,192
Water utility	-	-	48,649	81,632	48,649	81,632
Total expenses	170,297	157,713	48,649	81,632	218,946	239,345
Increase (decr) in net assets	31,670	77,454	860,173	914,884	891,843	992,338
Net assets - beginning	414,231	336,777	914,884	-	1,329,115	336,777
Net assets - ending	\$ 445,901	\$ 414,231	\$ 1,775,057	\$ 914,884	\$ 2,220,958	\$ 1,329,115

Governmental Activities. Governmental activities increased the Town's net assets by \$31,670, thereby accounting for 3% of the total growth in the net assets of the Town.

Business-type activities. Business-type activities increased the Town's net assets by \$860,173. As of the end of the current fiscal year, the Town's business-type funds reported positive net assets.

FINANCIAL ANALYSIS OF GOVERNMENT'S 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, 2011, the Town's governmental fund reported a fund balance of \$269,735. Of this total, \$160,727 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$160,727, an increase of \$17,810 from the prior year. Total fund balance is \$269,735, an increase of \$39,853 from the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The Town maintains an enterprise fund to account for the business-type activities of the Town. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year amounted to \$42,194. The value of capital assets net of related debt in these same funds is \$1,732,613.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the general fund's original budget was amended from the original budget expenditure total of \$201,300 to a final budget of \$199,711, an decrease of \$1,589. Total budgeted revenues were amended in the original budget from \$201,300 to a final budget of \$199,711, an decrease of \$1,589. The decrease is to reflect lower amount of energy tax revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of Daniel's investment in capital assets for its governmental activities and business-type activities as of June 30, 2011, amounts to \$2,929,574 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, and infrastructure.

Town of Daniel's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 22,320	\$ 22,320	\$ 33,811	\$ 33,811	\$ 56,131	\$ 56,131
Water Shares	-	-	3,000	-	3,000	-
Infrastructure	151,391	159,574	5,775	10,395	157,166	169,969
Construction in progress	-	-	2,713,277	1,286,748	2,713,277	1,286,748
Total net assets	<u>\$ 173,711</u>	<u>\$ 181,894</u>	<u>\$ 2,755,863</u>	<u>\$ 1,330,954</u>	<u>\$ 2,929,574</u>	<u>\$ 1,512,848</u>

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

Long-term debt. At the end of the current year, the Town had total debt outstanding of \$1,023,000, all of which is a bond payable in the water fund for the construction of a water infrastructure system in the Town.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2010	2010
Revenue Bonds	\$ -	\$ -	\$ 1,023,000	\$ 430,869	\$ 1,023,000	\$ 430,869
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,000</u>	<u>\$ 430,869</u>	<u>\$ 1,023,000</u>	<u>\$ 430,869</u>

The Town's total outstanding debt increased by \$592,131 during the fiscal year 2011. This was a result of draws on the loan for the construction of the water infrastructure system being installed in the Town.

Additional information on the Town's long-term debt can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of The Town of Daniel's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Town Clerk, Town of Daniel, 260 E. Teancum Rd., Daniel, UT 84032.

BASIC FINANCIAL STATEMENTS

TOWN OF DANIEL
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 169,141	\$ 88,895	\$ 258,036
Restricted Cash	1,730	560,014	561,744
Receivables			
Taxes	66,381	-	66,381
Intergovernmental Receivable	7,662	-	7,662
Accounts, Net	-	9,835	9,835
Grants Receivable	-	71,146	71,146
Internal Balances	80,144	(80,144)	-
Deferred Bond Cost, Net	-	9,917	9,917
Capital Assets (net of accumulated depreciation):			
Land	22,320	33,811	56,131
Water Shares		3,000	3,000
Construction in Progress	-	2,713,277	2,713,277
Infrastructure	151,391	5,775	157,166
Total Assets	<u>498,769</u>	<u>3,415,526</u>	<u>3,914,295</u>
LIABILITIES			
Accounts Payable	5,938	82,680	88,618
Retainage Payable	-	53,048	53,048
Interest Payable	-	3,133	3,133
Deferred Revenue	46,930	478,608	525,538
Long-Term Liabilities:			
Due Within One Year	-	34,000	34,000
Due In More Than One Year	-	989,000	989,000
Total Liabilities	<u>52,868</u>	<u>1,640,469</u>	<u>1,693,337</u>
NET ASSETS			
Invested in Capital Assets, net of related debt	173,711	1,732,863	1,906,574
Restricted			
Roads	107,278	-	107,278
Impact Fees	1,730	-	1,730
Unrestricted	163,182	42,194	205,376
Total Net Assets	<u>\$ 445,901</u>	<u>\$ 1,775,057</u>	<u>\$ 2,220,958</u>

See accompanying notes and accountant's report

TOWN OF DANIEL
Statement of Activities
For the Year Ended June 30, 2011

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets Primay Government</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:							
Governmental Activities:							
General Government	\$ 144,763	\$ 4,102	\$ 650	\$ -	\$ (140,011)	\$ -	\$ (140,011)
Highways and Public Works	25,534	-	-	39,394	13,860		13,860
Total Primary Government	<u>170,297</u>	<u>4,102</u>	<u>650</u>	<u>39,394</u>	<u>(126,151)</u>		<u>(126,151)</u>
Business-Type Activities:							
Water	<u>48,649</u>	<u>72,724</u>	<u>-</u>	<u>836,098</u>		<u>860,173</u>	<u>860,173</u>
Total Business-Type Activities	<u>48,649</u>	<u>72,724</u>	<u>-</u>	<u>836,098</u>		<u>860,173</u>	<u>860,173</u>
Total Primary Government	<u>\$ 218,946</u>	<u>\$ 76,826</u>	<u>\$ 650</u>	<u>\$ 875,492</u>	<u>(126,151)</u>	<u>860,173</u>	<u>734,022</u>
General Revenues:							
Property Tax					56,439	-	56,439
Sales and Use Tax					65,868	-	65,868
Energy Tax					33,436	-	33,436
State Liquor Tax					305	-	305
Unrestricted Investment Earnings					<u>1,773</u>	<u>-</u>	<u>1,773</u>
Total General Revenues					<u>157,821</u>	<u>-</u>	<u>157,821</u>
Change in Net Assets					<u>31,670</u>	<u>860,173</u>	<u>891,843</u>
Net Assets - Beginning					<u>414,231</u>	<u>914,884</u>	<u>1,329,115</u>
Net Assets - Ending					<u>\$ 445,901</u>	<u>\$ 1,775,057</u>	<u>\$ 2,220,958</u>

See accompanying notes and accountant's report

TOWN OF DANIEL
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 169,141
Restricted Cash	1,730
Receivables (net)	74,043
Due from other Funds	80,144
Total Assets	<u>\$ 325,058</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable & Accrued Liabilities	\$ 5,938
Deferred Revenue	49,385
Total Liabilities	<u>55,323</u>
 Fund Balances:	
Restricted for:	
Roads	107,278
Impact Fees	1,730
Unassigned:	160,727
Total Fund Balances	<u>269,735</u>
Total Liabilities and Fund Balances	<u>\$ 325,058</u>

See accompanying notes and accountant's report

TOWN OF DANIEL
Balance Sheet Reconciliation to
Statement of Net Assets
June 30, 2011

Total Governmental Funds Balances	\$ 269,735
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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.	173,711
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Other long-term assets not available to pay for current period expenditures	<u>2,455</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 445,901</u></u>
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See accompanying notes and accountant's report

TOWN OF DANIEL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund
REVENUES	
Taxes	\$ 155,743
Licenses and Permits	4,102
Intergovernmental	39,699
Miscellaneous	2,423
Total Revenues	<u>201,967</u>
EXPENDITURES	
Current:	
General Government	144,763
Highways & Streets	17,351
Total Expenditures	<u>162,114</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>39,853</u>
OTHER FINANCING SOURCES (USES)	
Total Other Financing Sources (Uses)	<u>-</u>
 Net Change in Fund Balances	 39,853
 Fund Balances - Beginning	 <u>229,882</u>
Fund Balances - End	<u><u>\$ 269,735</u></u>

See accompanying notes and accountant's report

TOWN OF DANIEL
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances of Governmental Funds \$ 39,853

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 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. (8,183)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. -

Change in net assets of governmental activities \$ 31,670

See accompanying notes and accountant's report

TOWN OF DANIEL
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Business-Type Activities - Enterprise
	Water Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 88,895
Accounts Receivable, Net	9,835
Grants Receivable	71,146
Total Current Assets	<u>169,876</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	560,014
Land	33,811
Water Shares	3,000
Construction in Progress	2,713,277
Water Infrastructure	13,860
Less: Accumulated Depreciation	(8,085)
Deferred Bond Cost, Net	9,917
Total Noncurrent Assets	<u>3,325,794</u>
Total Assets	<u>3,495,670</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	82,680
Interest Payable	3,133
Due to Other Funds	80,144
Retainage Payable	53,048
Deferred Revenue	478,608
Bond Payable	34,000
Total Current Liabilities:	<u>731,613</u>
Long Term Liabilities:	
Bond Payable	989,000
Total Long Term Liabilities:	<u>989,000</u>
Total Liabilities	<u>1,720,613</u>
NET ASSETS	
Invested in Capital Assets, net of related debt	1,732,863
Unrestricted	42,194
Total Net Assets	<u>\$ 1,775,057</u>

See accompanying notes to the financial statements

TOWN OF DANIEL
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities Enterprise Fund <hr/> Water Fund <hr/>
Operating Revenues:	
Charges for Services Pledged as Security for Revenue Bond	\$ 71,287 <hr/>
Operating Expenses:	
Salaries	3,000
Purchased Services	11,577
Supplies and Materials	8,000
Payroll Taxes	38
Utilities	4,864
Depreciation and Amortization	4,970
Miscellaneous	13,083 <hr/>
Total Operating Expenses	45,532 <hr/>
Operating Income (Loss)	25,755 <hr/>
Non-Operating Revenues (Expenses):	
Interest Income	1,437
Interest Expense	(3,117)
Grant Proceeds	836,098 <hr/>
Total Non-Operating Revenues (Expenses)	834,418 <hr/>
Net Income (Loss)	860,173
Net Assets - Beginning	914,884
Net Assets - Ending	\$ 1,775,057 <hr/> <hr/>

See accompanying notes to the financial statements

TOWN OF DANIEL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund Water Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 83,331
Payments to Suppliers	(41,763)
Payments to Employees	(3,038)
Net Cash Provided (Used) by Operating Activities	<u>38,530</u>
Cash Flows From Noncapital Financing Activities	
Advances from General Fund	14,232
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,232</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from Issuance of Long-Term Debt	592,131
Purchase of Capital Assets	(1,606,999)
Bond Cost	
Grants Proceeds	1,313,600
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>297,414</u>
Cash Flows From Investing Activities	
Interest Received	1,437
Net Cash Provided (Used) by Investing Activities	<u>1,437</u>
Net Increase (Decrease) in Cash and Cash Equivalents	351,613
Cash and Cash Equivalents - Beginning	297,296
Cash and Cash Equivalents - Ending	<u>\$ 648,909</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 25,755
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	4,970
(Increase) Decrease in Accounts Receivable	12,044
Increase (Decrease) in Accrued Payable	(4,239)
Total Adjustments	12,775
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,530</u>
Noncash Investing, Capital and Financing Activities:	
Contributions	\$ -

See accompanying notes to the financial statements

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Daniel (the Town) is located in northern Wasatch County in the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the mayor and a town council. The Town provides the following services as mandated by law: general administrative services, highways and streets, and water.

The Town of Daniel's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The Town applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the Town are discussed below.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers who directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or activity. 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 and enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Measurement Focus, Basis of Accounting and 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. 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, claims, and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue 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 general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The *water fund* accounts for all the activities of the Town’s water operations.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by the enterprise fund for the providing administrative services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

A. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value.

B. 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/due from other funds"

C. Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services. It is the policy of the Town to use restricted assets and then unrestricted assets.

D. Capital Assets

Capital assets include property, infrastructure assets, and construction in progress (e.g., well, pipelines, roads, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Infrastructure	30-50
Machinery and equipment	3-10

E. Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1, and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The Town council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The council must set a tax rate by June 22 of each year. The county treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

F. 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 or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

G. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting in Governmental Fund Types Definitions*. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the Town is bound to honor them. The Town first determines and reports nonspendable balances, then restricted, then committed, and so forth. The Town's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories, prepaid expenditures, and endowments are classified as nonspendable.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the following:
 - a) Class C Roads
 - b) Impact fees
- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the Town Council. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Town Council. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned.** This category includes General Fund balance amounts that the Town intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the Town's administration comprised of the City administrative council.
- **Unassigned.** Residual balances in the governmental fund are classified as unassigned.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

I. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 *fund balance - total governmental funds* and *net assets -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 Asset Differences:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of these 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	\$ 226,901
Accumulated depreciation	(<u>53,190</u>)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 173,711</u>

Long Term Assets:

Long term assets applicable to the Town's governmental activities which are not available to pay expenses of the current period are deferred in the fund statements. However, in the statement of net assets, the changes were reported as revenue when earned.

Delinquent property taxes	\$ 2,455
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TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide 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. One element of that reconciliation explains that “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.”

Capital outlay	\$ -
Depreciation expense	(8,183)
Net adjustment to increase <i>net change in fund balances – total governmental activities</i> to arrive at <i>change in net assets of governmental activities</i>	(\$ 8,183)

NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the Town. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the Town Council in May, the designated council member, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers’ comments are heard. Notice of the hearing is posted in various locations in the Town at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The designated council member, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The Town Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing as required in (B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year-end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the fiscal year, the Town modified the budget using the above procedures.

NOTE 4- CASH AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. At June 30, 2011, the Town's cash balance consisted of the following:

Cash, cash equivalents, and temporary cash investments	\$ 258,036
Cash and cash equivalents- restricted	<u>561,744</u>
Total cash and cash equivalents	<u><u>\$ 819,780</u></u>

A. Deposits

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town'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, 2011, none of the Town's bank balances were uninsured and uncollateralized. The carrying amount of deposits was \$127,068, the balances in the Town's bank account and cash on hand was \$10,575, with the difference being due to outstanding checks and deposits in transit.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Investments

The Town's investments are managed through participation in the State Public Treasurer's Investment Fund. As of June 30, 2011, the Town had the following investments:

	Investment Maturities (in Years)			
	Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund	\$ 809,205	\$ -	\$ -	\$ -
Total Investments	<u>\$ 809,205</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's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act and also to invest mainly in the PTIF. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk – Credit risk is the risk that 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 Act. The Act authorizes the Town 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, 2011, the local government had investments of \$809,205 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of a bank failure, 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 an investment policy for custodial credit risk.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – RECEIVABLES

During the year no allowance for uncollectable accounts was made. The following is a summary of receivables at June 30, 2011:

	<u>General</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Property Tax	\$ 50,344	\$ -	\$ 50,344
Sales Tax	14,219		14,219
Energy Tax	1,818		1,818
Class "C" Road	7,662	-	7,662
Accounts	-	9,835	9,835
Grants	-	71,146	71,146
Total Receivables	<u>\$ 74,043</u>	<u>\$ 80,981</u>	<u>\$ 155,024</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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (general fund)	<u>\$ 2,455</u>	<u>\$ 46,930</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due to / from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Water	<u>\$ 80,144</u>

Interfund balances are created to support temporary cash deficiencies in the applicable funds.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – CAPITAL ASSETS

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

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 22,320	\$ -	\$ -	\$ 22,320
Total capital assets not being depreciated	<u>22,320</u>	<u>-</u>	<u>-</u>	<u>22,320</u>
Capital assets being depreciated:				
Infrastructure	<u>204,581</u>	<u>-</u>	<u>-</u>	<u>204,581</u>
Total capital assets being depreciated	<u>204,581</u>	<u>-</u>	<u>-</u>	<u>204,581</u>
Less accumulated depreciation for:				
Infrastructure	<u>45,007</u>	<u>8,183</u>	<u>-</u>	<u>53,190</u>
Total accumulated depreciation	<u>45,007</u>	<u>8,183</u>	<u>-</u>	<u>53,190</u>
Total capital assets, being depreciated, net	<u>159,574</u>	<u>(8,183)</u>	<u>-</u>	<u>151,391</u>
Governmental activities capital assets, net	<u>\$ 181,894</u>	<u>\$ (8,183)</u>	<u>\$ -</u>	<u>\$ 173,711</u>
	Beginning			Ending
Business-type activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 33,811	\$ -	\$ -	\$ 33,811
Water Shares	-	3,000	-	3,000
Construction in Progress	<u>1,286,748</u>	<u>1,426,529</u>	<u>-</u>	<u>2,713,277</u>
Total capital assets not being depreciated	<u>1,320,559</u>	<u>1,429,529</u>	<u>-</u>	<u>2,750,088</u>
Capital assets being depreciated:				
Infrastructure	<u>13,860</u>	<u>-</u>	<u>-</u>	<u>13,860</u>
Total capital assets being depreciated	<u>13,860</u>	<u>-</u>	<u>-</u>	<u>13,860</u>
Less accumulated depreciation for:				
Infrastructure	<u>3,465</u>	<u>4,620</u>	<u>-</u>	<u>8,085</u>
Total accumulated depreciation	<u>3,465</u>	<u>4,620</u>	<u>-</u>	<u>8,085</u>
Total capital assets, being depreciated, net	<u>10,395</u>	<u>(4,620)</u>	<u>-</u>	<u>5,775</u>
Business-type activities capital assets, net	<u>\$1,330,954</u>	<u>\$ 1,424,909</u>	<u>\$ -</u>	<u>\$2,755,863</u>

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – CAPITAL ASSETS *(Continued)*

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

Governmental activities:

Highways and Streets	\$ 8,183
Total depreciation expense - governmental activities	<u>\$ 8,183</u>

Governmental activities:

Water	\$ 4,620
Total depreciation expense - Business-type activities	<u>\$ 4,620</u>

Total Depreciation Expense	<u>\$ 12,803</u>
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Construction commitments

The Town has undertaken a water project that is currently in progress. They have spent \$2,713,277. It is estimated they will spend an additional \$830,190 to complete the project.

NOTE 8 – LONG-TERM DEBT

1. \$2,492,250 Taxable Water Revenue Bonds Series 2009

The bond was issued during the last fiscal year. The current draws on the bond are \$2,255,250. Of this amount, \$853,000 is considered outstanding and the remaining portion shall be deemed as debt forgiveness proceeds due to the bond agreement. Charges for services are pledged as collateral for this bond. The bond is non-interest-bearing; however, the terms of the loan require a 0.5% annual technical assistance fee (interest) to be charged on the outstanding principal balance. Annual installments are due on August 1 of each year beginning in 2011.

2. \$170,000 Subordinated Water Revenue Bond, Series 2011.

The bond was issued during the current fiscal year. The current draws on the bond are \$170,000. Charges for services are pledged as collateral for this bond. The bond is 0.5% interest rate charged on the outstanding principal balance. Annual installments are due on January 1 of each year beginning in 2013.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The future annual requirements for all outstanding bond obligations as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 34,000	\$ 4,282	\$ 38,282
2013	39,000	3,946	42,946
2014	39,000	5,960	44,960
2015	39,000	5,765	44,765
2016	40,000	5,570	45,570
2017-2021	204,000	24,835	228,835
2022-2026	210,000	19,650	229,650
2027-2034	215,000	14,350	229,350
2032-2036	203,000	8,965	211,965
Total	<u>\$ 1,023,000</u>	<u>\$ 93,323</u>	<u>\$ 1,116,323</u>

Changes in Long-term debt:

<u>Business Type Activities</u>	<u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>2011</u>	<u>Due in One Year</u>
Bonds Payable					
2009 Taxable Water Rev Bond	\$ 430,869	\$422,131	\$ -	\$ 853,000	\$ 34,000
2011 Subordinate Water Rev Bond	-	170,000	-	170,000	-
Business activities long- term debt	<u>\$ 430,869</u>	<u>\$592,131</u>	<u>\$ -</u>	<u>\$ 1,023,000</u>	<u>\$ 34,000</u>

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Town to purchase general liability insurance for these risks. A minimal deductible applies to the policy, which the Town pays in the event of any loss. Over the last three years, losses have not exceeded coverage.

NOTE 10- COMMITMENTS & CONTINGENCIES

The Town is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. Town management is of the opinion that the final outcome of the cases will not have an adverse material affect on the Town's financial statements.

TOWN OF DANIEL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11- RELATED PARTY TRANSACTION

Erik Bunker, one of the Town's council members, also serves as the Town's planning director. He was paid \$15,000 during the year, of which \$15,000 was considered his salary. His pay is considered to be reasonable for the services he performs.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 28, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DANIEL
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget to Actual
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 168,000	\$ 157,302	\$ 155,743	\$ (1,559)
Licenses and Permits	2,300	3,254	4,102	848
Intergovernmental	30,300	37,805	39,699	1,894
Miscellaneous	700	1,350	2,423	1,073
Total Revenues	<u>201,300</u>	<u>199,711</u>	<u>201,967</u>	<u>2,256</u>
EXPENDITURES				
Current:				
General Government	171,300	168,500	144,763	23,737
Highways & Streets	30,000	31,211	17,351	13,860
Total Expenditures	<u>201,300</u>	<u>199,711</u>	<u>162,114</u>	<u>37,597</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>39,853</u>	<u>39,853</u>
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	-	-	39,853	39,853
Fund Balances (Restated) - Beginning	229,882	229,882	229,882	-
Fund Balances - Ending	<u>\$ 229,882</u>	<u>\$ 229,882</u>	<u>\$ 269,735</u>	<u>\$ 39,853</u>

See accompanying notes and accountant's report

SINGLE AUDIT AND OTHER REPORTS

TOWN OF DANIEL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Disbursements or Expenditures
<u>U.S. Environmental Protection Agency</u>			
<i>Passed Through Utah State Department of Environmental Quality</i>			
ARRA Capitalization Grants for Drinking Water State Revolving Funds	66.468	-	\$ 1,137,394
			<u>1,137,394</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed Through Utah State Department of Community and Culture</i>			
Community Development Block Grant	14.228	102553	<u>290,835</u>
Total U.S. Department of Housing and Urban Development			<u>290,835</u>
Total Expenditures of Federal Awards			<u>\$ 1,428,229</u>

See accompanying notes

TOWN OF DANIEL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the Town of Daniel's expenditure of federal awards. The schedule has been prepared on the same basis as the financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of federal funds are made, revenue is recognized.

NOTE B – FEDERAL LOANS

On October 26, 2010, the Town of Daniel issued Water Revenue Bonds for \$2,492,250, which were bought by the State of Utah Department of Environmental Quality, Drinking Water Board. An additional bond was issued June 28, 2011 for \$340,000. The Environmental Protection Agency had a 96.077% share of the funds. The proceeds are being used for the construction of a water infrastructure system of the Town. Details of this bond can be found in the long-term debt note in the financial statements. Parts of these loans are being forgiven by the State of Utah. The balance of the loan at year end is \$1,023,000.

NOTE C – ACCOUNTS RECEIVABLE

The financial statements include accounts receivable from federal programs. These receivables are accrued according to the accrual basis of accounting. The receivables reflect federal awards that have been expended by year end and not yet reimbursed.

TOWN OF DANIEL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Daniel.
2. There are significant deficiencies in internal control over financial statements identified during the audit and they are reported in the Schedule of Significant Deficiencies. The conditions are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of Daniel were disclosed during the audit.
4. There are significant deficiencies in internal control over major federal award programs identified during the audit and they are reported in the Schedule of Significant Deficiencies. The conditions are not reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the Town of Daniel expresses an unqualified opinion.
6. There are no audit findings required to be reported under OMB Circular A-133 or *Governmental Auditing Standards*.
7. The programs tested as a major programs included:

Capitalization Grants for Drinking Water State Revolving Funds - ARRA CFDA #66.468
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Town of Daniel was determined to not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

See Schedule of Significant Deficiencies

C. FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS

See Schedule of Significant Deficiencies

Although these findings do exist in regards to the Federal award programs we noted no instances where this finding resulted in any questioned costs associated with major federal award programs.

TOWN OF DANIEL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

D. FINDINGS – PRIOR YEAR

10-01 Segregation of Duties

Finding: During the course of our audit, we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small towns make it difficult to provide for these separations in a cost effective manner. We recommend that, when feasible, the Town provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the Town Council should continue to constantly be aware of the need for administrative review of transactions and activities of the Town.

Town's Response: We will take steps to ensure the Town Council has proper oversight of personnel.

Current Status: See Current Year Finding 11-01

10-02 Draft Financial Statements

Finding: The Town does not have an employee with certain expertise to draft the Town's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements. Management should continue to make efforts to gain as much expertise as possible regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

Town's Response: Management will gain expertise in the preparation of the financial statements and footnotes to ensure they are qualified to review, approve, and accept responsibility for them.

Current Status: See Current Year Finding 11-02

10-03 Adjustments to accrual basis of accounting

Finding: The Town does not currently post year-end adjusting journal entries necessary to adjust the financial statements to the accrual basis of accounting. Management should make efforts to make the year-end entries to adjust the financial statements to the proper basis of accounting.

Town's Response: Management will seek training on posting year-end journal entries and adjusting the financial statements to the proper basis of accounting.

Current Status: See Current Year Finding 11-03



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**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***

Honorable Mayor and Town Council
The Town of Daniel
Daniel, UT

December 28, 2011

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Daniel, Utah, as of and for the year ended June 30, 2011, which collectively comprise the Town of Daniel's basic financial statements and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Daniel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Daniel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Daniel'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. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Significant Deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

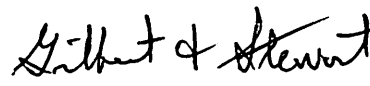
As part of obtaining reasonable assurance about whether the Town of Daniel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Significant Deficiencies.

We noted certain matters that we have reported to management of the Town of Daniel in the Communication with Those Charged with Governance dated December 28, 2011.

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

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


GILBERT & STEWART
Certified Public Accountants

TOWN OF DANIEL
SCHEDULE OF SIGNIFICANT DEFICIENCIES
FOR THE YEAR ENDED JUNE 30, 2011

11-01 Segregation of Duties

Finding: During the course of our audit, we found that the proper segregation of duties does not exist to provide for a proper internal control structure. Inherent staff limitations placed on small towns make it difficult to provide for these separations in a cost effective manner. We recommend that, when feasible, the Town provide for proper segregation of duties. However, because in so many instances it is not feasible to provide for these separations, the Town Council should continue to constantly be aware of the need for administrative review of transactions and activities of the Town.

Town's Response: We will take steps to ensure the Town Council has proper oversight of personnel.

11-02 Draft Financial Statements

Finding: The Town does not have an employee with certain expertise to draft the Town's basic financial statements and related footnotes. The auditor, with oversight from management, drafts the financial statements and footnotes. Management then reviews and accepts responsibility for the financial statements. Management should continue to make efforts to gain as much expertise as possible regarding the preparation of the basic financial statements and footnotes to ensure that they are qualified to review, approve and accept responsibility for the financial statements.

Town's Response: Management will gain expertise in the preparation of the financial statements and footnotes to ensure they are qualified to review, approve, and accept responsibility for them.

11-03 Adjustments to accrual basis of accounting

Finding: The Town does not currently post year-end adjusting journal entries necessary to adjust the financial statements to the accrual basis of accounting. Management should make efforts to make the year-end entries to adjust the financial statements to the proper basis of accounting.

Town's Response: Management will seek training on posting year-end journal entries and adjusting the financial statements to the proper basis of accounting.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Town Council
Town of Daniel
Daniel, UT

December 28, 2011

Compliance

We have audited the Town of Daniel's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town of Daniel's major federal programs for the year ended June 30, 2011. The Town of Daniel's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Daniel's management. Our responsibility is to express an opinion on the Town of Daniel's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Daniel's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Daniel's compliance with those requirements.

In our opinion, the Town of Daniel complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

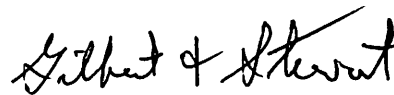
Management of the Town of Daniel is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Daniel's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Daniel's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-01, 11-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town of Daniel's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Daniel's responses and, accordingly, we express no opinion on the responses.

The report is intended solely for the information and use of management, the Town of Daniel, others within the entity, 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.



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and Town Council
Town of Daniel
Daniel, UT

December 28, 2011

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

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

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

- B & C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the Town's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

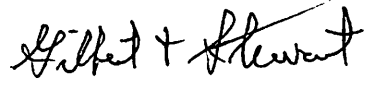
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah legal Compliance Audit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

In our opinion, The Town of Daniel complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state assistance programs for the year ended June 30, 2011.

However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated December 28, 2011 as items 11-1 through 11-2.

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

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


GILBERT & STEWART
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