

ATTACHMENT D

CLARKSTON TOWN

Compiled Financial Statements

For the Year Ended June 30, 2014

DRAFT

For Discussion Purposes Only

TABLE OF CONTENTS

	Page Number
<u>Financial Section:</u>	
Independent Accountant's Compilation Report	1
Management's Discussion and Analysis	2
<u>Basic Financial Statements:</u>	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	15
Statement of Cash Flows – Proprietary Fund	16
Notes to Financial Statements	17
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule – General Fund	31

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Mayor and Town Council
Clarkston Town
Clarkston, Utah

I have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Clarkston Town (the Town) as of and for the year ending June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Town is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 2 through 7 and 31, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information has been compiled by me without audit or review and accordingly, I do not express an opinion or provide any assurance on it.

MATTHEW REGEN, CPA, PC

January 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Clarkston Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position (government and business-type activities) of the Town increased during fiscal year 2014 by \$59,791 to a total of \$1,705,274. The governmental net position increased by \$35,422 and the business-type net position increased by \$24,369.
- The total net position (government and business-type activities) of the Town consist of \$1,302,885 in capital assets, net of related debt, \$75,552 in restricted net position and \$326,837 in unrestricted net position.
- The total long-term liabilities of the Town were reduced \$31,000 during the fiscal year 2014.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The 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 contains 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 the Town's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, there will also be a need to consider other non-financial factors.
- *The statement of activities* presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

See independent accountant's compilation report.

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, parks and recreation, and public works. The business-type activities of the Town include the water utility. 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 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - Governmental 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Perpetual Care Fund.

- **Proprietary funds** - The Town maintains only one proprietary fund, an enterprise fund, to account for its culinary water utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification.
- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town currently has no fiduciary funds.

See independent accountant's compilation report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,705,274.

By far, the largest portion of the Town's net position (76 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 236,036	254,049	284,532	223,211	199,319	177,827
Capital assets, net	<u>561,543</u>	<u>508,360</u>	<u>455,997</u>	<u>1,273,342</u>	<u>1,304,336</u>	<u>1,344,189</u>
Total assets	797,579	762,409	740,529	1,496,553	1,503,655	1,522,016
Current liab. and deferred inflows	49,145	49,397	47,089	39,713	39,184	40,223
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>532,000</u>	<u>563,000</u>
Total liabilities and deferred inflows	49,145	49,397	47,089	539,713	571,184	603,223
Invested in capital assets, net of debt	561,543	508,360	455,997	741,342	741,336	751,189
Restricted	75,552	86,352	94,270	-	-	-
Unrestricted	<u>111,339</u>	<u>118,300</u>	<u>143,173</u>	<u>215,498</u>	<u>191,135</u>	<u>167,604</u>
Total net position	\$ <u>748,434</u>	<u>713,012</u>	<u>693,440</u>	<u>956,840</u>	<u>932,471</u>	<u>918,793</u>

See independent accountant's compilation report.

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 153,440	107,241	122,844	116,542	101,795	98,887
Operating grants	35,602	35,233	36,223	-	-	-
Capital grants	-	16,998	31,091	-	-	-
General revenues:						
Property taxes	41,208	41,304	40,109	-	-	-
Sales and use taxes	62,746	61,732	59,032	-	-	-
Franchise taxes	31,387	8,941	9,097	-	-	-
Interest income	1,634	2,338	2,508	155	33	13
Total revenues	<u>326,017</u>	<u>273,787</u>	<u>300,904</u>	<u>116,697</u>	<u>101,828</u>	<u>98,900</u>
Expenses:						
General government	134,735	83,618	85,305	-	-	-
Public safety	36,630	38,922	36,944	-	-	-
Streets and public improvements	23,607	38,893	16,603	-	-	-
Parks and recreation	57,352	51,929	74,903	-	-	-
Sanitation	38,271	40,853	40,270	-	-	-
Water utility	-	-	-	92,328	88,150	86,451
Total expenses	<u>290,595</u>	<u>254,215</u>	<u>254,025</u>	<u>92,328</u>	<u>88,150</u>	<u>86,451</u>
Change in net position	35,422	19,572	46,879	24,369	13,678	12,449
Net position – beginning (07-01)	<u>713,012</u>	<u>693,440</u>	<u>646,561</u>	<u>932,471</u>	<u>918,793</u>	<u>906,344</u>
Net position – ending (06-30)	<u>\$ 748,434</u>	<u>713,012</u>	<u>693,440</u>	<u>956,840</u>	<u>932,471</u>	<u>918,793</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$236,036, a decrease of \$17,761 from the prior year. Of this total amount \$111,339 constitutes unassigned fund balance, which is available to meet the future financial needs of the Town. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is legally required to be used for the perpetual care of the cemetery.

See independent accountant's compilation report.

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.

Taxes continue to be the largest source of revenue in the General Fund and represent 43 percent of total General Fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined, they represent 77 percent of total tax revenues and 33 percent of the total General Fund revenues.

The Town maintains an enterprise fund to account for the business-type activities of the Town. 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 much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was \$291,435. The actual revenue was \$314,930. This resulted in a favorable variance of \$23,495 for revenue. The General Fund budget for expenditures was \$375,085. The actual expenditures were \$321,891. This resulted in a favorable variance of \$53,194 for expenditures. Overall, the Town had a favorable variance for the excess of revenues over expenditures of \$76,689.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$1,834,885 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the Town's investment in capital assets for the current fiscal year was \$86,360 and depreciation expense was \$64,170.

Major capital assets purchased during the fiscal year included the following:

- \$50,552 in road improvements
- \$26,858 in civic center improvements

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

Long-term debt – At June 30, 2014, the Town had total debt outstanding of \$532,000 which consists of water revenue bonds used to improve the water system.

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

See independent accountant's compilation report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Clarkston Town, P.O. Box 181, Clarkston, Utah, 84305.

See independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF NET POSITION
JUNE 30, 2014

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	\$ 180,724	211,512	392,236
Receivables, net	55,312	11,699	67,011
Fixed assets, net	561,543	1,273,342	1,834,885
Total assets	797,579	1,496,553	2,294,132
<u>Liabilities & Deferred Inflows of Resources</u>			
Liabilities:			
Accounts payable and accrued expenses	15,364	7,713	23,077
Bonds payable:			
Due within one year	-	32,000	32,000
Due within more than one year	-	500,000	500,000
Deferred inflows of resources	33,781	-	33,781
Total liabilities & deferred inflows	49,145	539,713	588,858
<u>Net Position</u>			
Investments in capital assets, net of related debt	561,543	741,342	1,302,885
Restricted:			
Perpetual care	75,552	-	75,552
Unrestricted	111,339	215,498	326,837
Total net position	\$ 748,434	956,840	1,705,274

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 134,735	30,652	-	-	(104,083)	-	(104,083)
Sanitation	38,271	42,788	-	-	4,517	-	4,517
Public safety	36,630	13,570	2,000	-	(21,060)	-	(21,060)
Streets and public improvements	23,607	-	33,602	-	9,995	-	9,995
Parks and recreation	57,352	66,430	-	-	9,078	-	9,078
Total governmental activities	<u>290,595</u>	<u>153,440</u>	<u>35,602</u>	<u>-</u>	<u>(101,553)</u>	<u>-</u>	<u>(101,553)</u>
Business-type activities:							
Water fund	92,328	116,542	-	-	-	24,214	24,214
Total business-type activities	<u>92,328</u>	<u>116,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,214</u>	<u>24,214</u>
Total primary government	\$ <u>382,923</u>	<u>269,982</u>	<u>35,602</u>	<u>-</u>	<u>(101,553)</u>	<u>24,214</u>	<u>(77,339)</u>
General revenues:							
Taxes:							
Sales and use tax					62,746	-	62,746
Property tax					41,208	-	41,208
Franchise and other taxes					31,387	-	31,387
Total taxes					<u>135,341</u>	<u>-</u>	<u>135,341</u>
Interest income					1,634	155	1,789
Total general revenues					<u>136,975</u>	<u>155</u>	<u>137,130</u>
Change in net position					35,422	24,369	59,791
Net position - beginning					<u>713,012</u>	<u>932,471</u>	<u>1,645,483</u>
Net position - ending					\$ <u>748,434</u>	<u>956,840</u>	<u>1,705,274</u>

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2014

<u>Assets</u>	<u>General Fund</u>	<u>Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
Pooled cash and cash equivalents	\$ 105,172	75,552	180,724
Receivables, net	<u>55,312</u>	<u>-</u>	<u>55,312</u>
Total assets	<u>160,484</u>	<u>75,552</u>	<u>236,036</u>
<u>Liabilities, Deferred Inflows of Resources & Fund Balance</u>			
Liabilities:			
Accounts payable and accrued liabilities	15,364	-	15,364
Deferred inflows of resources	<u>33,781</u>	<u>-</u>	<u>33,781</u>
Total liabilities & deferred inflows	<u>49,145</u>	<u>-</u>	<u>49,145</u>
Fund balance:			
Restricted - Perpetual Care of Cemetery	-	75,552	75,552
Unassigned	<u>111,339</u>	<u>-</u>	<u>111,339</u>
Total fund balance	<u>111,339</u>	<u>75,552</u>	<u>186,891</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 160,484</u>	<u>75,552</u>	<u>236,036</u>

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balance for governmental funds	\$	186,891
---	----	---------

Net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	39,321	
Buildings		671,704	
Equipment		182,555	
Accumulated depreciation		<u>(332,037)</u>	<u>561,543</u>

Net position of governmental activities	\$	<u>748,434</u>
---	----	----------------

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Perpetual Care Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 135,342	-	135,342
Licenses and permits	25,712	-	25,712
Intergovernmental	43,834	-	43,834
Charges for services	48,125	10,625	58,750
Fines and forfeitures	1,497	-	1,497
Miscellaneous revenues	60,420	462	60,882
	<u>314,930</u>	<u>11,087</u>	<u>326,017</u>
Total revenues			
Expenditures:			
General government	127,392	-	127,392
Sanitation	38,271	-	38,271
Public safety	32,381	-	32,381
Streets and public improvements	68,441	-	68,441
Parks and recreation	55,406	21,887	77,293
	<u>321,891</u>	<u>21,887</u>	<u>343,778</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(6,961)</u>	<u>(10,800)</u>	<u>(17,761)</u>
Fund balance - beginning of year	<u>118,300</u>	<u>86,352</u>	<u>204,652</u>
Fund balance - end of year	<u>\$ 111,339</u>	<u>75,552</u>	<u>186,891</u>

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balance - Total governmental funds	\$	(17,761)
---	----	----------

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 as depreciation expense.
This is the amount by which capital outlays of \$77,411 exceeded
depreciation expense of \$24,227 in the current year.

		<u>53,183</u>
--	--	---------------

Changes in net position of governmental activities	\$	<u><u>35,422</u></u>
--	----	----------------------

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF NET POSITION -
PROPRIETARY FUND
JUNE 30, 2014

<u>Assets</u>	<u>Water Fund</u>	<u>Total Business- type Activities</u>
Pooled cash and cash equivalents	\$ 211,512	211,512
Receivables, net	11,699	11,699
Fixed assets, net	<u>1,273,342</u>	<u>1,273,342</u>
Total assets	<u>1,496,553</u>	<u>1,496,553</u>
 <u>Liabilities</u>		
Accounts payable and accrued liabilities	7,713	7,713
Non-current liabilities:		
Due within one year	32,000	32,000
Due in more than one year	<u>500,000</u>	<u>500,000</u>
Total liabilities	<u>539,713</u>	<u>539,713</u>
 <u>Net Position</u>		
Investments in capital assets, net of related debt	741,342	741,342
Unrestricted	<u>215,498</u>	<u>215,498</u>
Total net position	<u>\$ 956,840</u>	<u>956,840</u>

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Water Fund</u>	<u>Total Business- type Activities</u>
Operating revenues:		
Services	\$ 109,042	109,042
Total operating revenues	<u>109,042</u>	<u>109,042</u>
Operating expenses:		
Salaries and wages	12,010	12,010
Current expenses	25,360	25,360
Depreciation	<u>39,943</u>	<u>39,943</u>
Total operating expense	<u>77,313</u>	<u>77,313</u>
Operating income	31,729	31,729
Non-operating income (expense):		
Interest income	155	155
Impact fees	7,500	7,500
Interest expense	<u>(15,015)</u>	<u>(15,015)</u>
Total non-operating income	<u>(7,360)</u>	<u>(7,360)</u>
Change in net position	24,369	24,369
Net position - beginning of year	<u>932,471</u>	<u>932,471</u>
Net position - end of year	\$ <u><u>956,840</u></u>	<u><u>956,840</u></u>

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Total Business- type Activities
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 107,337	107,337
Payments to employees	(12,010)	(12,010)
Payments to suppliers	(25,831)	(25,831)
Net cash provided by operating activities	69,496	69,496
<u>Cash flows from non-capital financing activities</u>	-	-
<u>Cash flows from capital and related financing activities:</u>		
Purchase of water system equipment	(8,949)	(8,949)
Impact fee income	7,500	7,500
Principal payments on bonds	(31,000)	(31,000)
Net cash used by capital and related financing activities	(32,449)	(32,449)
<u>Cash flows from investing activities:</u>		
Interest on investments	155	155
Interest expense	(15,015)	(15,015)
Net cash used by investing activities	(14,860)	(14,860)
Net increase in cash and cash equivalents	22,187	22,187
Cash and cash equivalents at beginning of year	189,325	189,325
Cash and cash equivalents at end of year	\$ 211,512	211,512
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 31,729	31,729
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	39,943	39,943
Change in assets and liabilities:		
Increase in accounts receivable	(1,705)	(1,705)
Decrease in accounts payable	(471)	(471)
Total adjustments	37,767	37,767
Net cash provided by operating activities	\$ 69,496	69,496

See accompanying notes and independent accountant's compilation report.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Clarkston Town (the Town) was incorporated under the laws of the state of Utah. The Town operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the Town owns and operates a water utility.

The accounting and reporting policies of the Town relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The Town has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

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

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. The Town applies expenses for restricted resources first when both restricted and unrestricted net position is available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Town.

The Town reports the following major governmental funds:

- The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Perpetual Care Fund is used to report resources legally restricted to the extent that earnings may only be used for purposes to support the Town's cemetery.

The Town reports the following major proprietary fund:

- The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary 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 revenue and expenses.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on 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.

Depreciation of all exhaustible fixed assets used is charged as an expense against the Town's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 to 40 years
Water system and equipment	7 to 50 years
Machinery and equipment	5 to 20 years
Infrastructure	50 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Equity Classifications: Government-wide Financial Statements

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Equity Classifications: Fund Financial Statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balances – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the Town Council, likewise, formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the Town Council or management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the General Fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances is available, the Town considers restricted funds to have been spent first. When an

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Town Council has provided otherwise in its commitment or assignment actions.

Property Taxes

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term “cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted position) with original maturities of three months or less to be cash equivalents.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as revenue until that time. Property taxes (previously reported as deferred revenues) are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These deferred inflows are reported on the Statement of Net Position and the Balance Sheet – Governmental Funds.

Subsequent Events

The Town has evaluated all subsequent events through January 2, 2015, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

The Town follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of Town funds in a “qualified depository”. The Act defines a “qualified depository” as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, none of the Town’s bank balances were uninsured and/or uncollateralized.

Investments

The Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may only be conducted through qualified depositories, certified dealers or directly with the issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standards &

CLARKSTON TOWN
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

Note 2 – Deposits and Investments (continued)

Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund as defined by the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act established by the Money Management Council which oversees the activities of the state treasurer and the PTIF, and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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

The Town's investments on June 30, 2014, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u> (Less than one year)	<u>Quality Rating</u>
State of Utah PTIF	<u>\$330,302</u>	<u>\$330,302</u>	Unrated

Interest Rate Risk – Interest rate risk is the risk that changes in the 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 Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits and fixed rate corporate obligations of 270 to 365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have remaining term to final maturity exceeding two years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. See the quality ratings on the investment schedules above.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 – Deposits and Investments (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk in regard to the custody of the Town's investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The Town's policy for reducing this risk of loss is to comply with the Rules of Money Management Council.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled Town council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 4 – Receivables

The Town has property and sales taxes, accounts receivable and receivables due from other governments as of June 30, 2014 as follows:

General Fund:

Taxes:

Property taxes	\$ 35,420
Sales taxes	<u>10,867</u>
Total taxes receivable	<u>46,287</u>

Accounts:

Sanitation	2,466
911 fees	<u>326</u>
Total accounts receivable	<u>2,792</u>

Due from other governments:

Class "C" roads – State of Utah	<u>6,233</u>
---------------------------------	--------------

Total receivables	<u>\$ 55,312</u>
-------------------	------------------

Water Fund:

Accounts:

Services and fees	<u>\$ 11,699</u>
-------------------	------------------

Total receivables	<u>\$ 11,699</u>
-------------------	------------------

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2014, are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 39,321	-	-	39,321
Total capital assets not being depreciated	<u>39,321</u>	<u>-</u>	<u>-</u>	<u>39,321</u>
Capital assets being depreciated:				
Buildings	594,294	77,410	-	671,704
Equipment	<u>182,555</u>	<u>-</u>	<u>-</u>	<u>182,555</u>
Total capital assets being depreciated	<u>776,849</u>	<u>77,410</u>	<u>-</u>	<u>854,259</u>
Accumulated depreciation for:				
Buildings	(126,772)	(23,467)	-	(150,239)
Equipment	<u>(181,038)</u>	<u>(760)</u>	<u>-</u>	<u>(181,798)</u>
Total accumulated depreciation	<u>(307,810)</u>	<u>(24,227)</u>	<u>-</u>	<u>(332,037)</u>
Total capital assets being depreciated, net	<u>469,039</u>	<u>53,183</u>	<u>-</u>	<u>522,222</u>
Total governmental activities Capital assets, net	<u>\$ 508,360</u>	<u>53,183</u>	<u>-</u>	<u>561,543</u>

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

General government	\$ 7,343
Public safety	4,249
Streets and public improvements	5,718
Parks and recreation	<u>6,917</u>
Total depreciation expense	<u>\$ 24,227</u>

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 5 – Capital Assets (continued)

	July 1, 2013	Additions	Deletions	June 30, 2014
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Total capital assets not being depreciated	1,000	-	-	1,000
Capital assets being depreciated:				
Equipment	43,976	-	-	43,976
Improvements	1,926,441	8,949	-	1,935,390
Total capital assets being depreciated	1,970,417	8,949	-	1,979,366
Accumulated depreciation for:				
Equipment	(20,858)	(982)	-	(21,840)
Improvements	(646,224)	(38,961)	-	(685,185)
Total accumulated depreciation	(667,082)	(39,943)	-	(707,025)
Total capital assets being depreciated, net	1,303,336	(30,994)	-	1,272,342
Total business-type activities capital assets, net	\$ 1,304,336	(30,994)	-	1,273,342

Note 6 – Impact Fees

The Town assesses impact fees for water improvements as allowed by state law. Impact fees represent fees assessed by the Town for future capital improvements. These fees are not intended to recover impact costs for growth in areas not assessed by the Town. The Town reports as restricted net position and fund balance the excess of the impact fees collected over the uses for identified projects.

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 7 – Long-term Debt

Long-term liability transactions for the fiscal year ended June 30, 2013, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type Activities:</u>					
Bonds payable	\$ 563,000	-	(31,000)	532,000	32,000
Total business-type long-term liabilities	\$ 563,000	-	(31,000)	532,000	32,000

Business-type Activities

Long-term debt for business-type activities consists of the following:

Bonds payable

\$705,000 Water revenue bonds, Series 2007, issued May 1, 2007. Due to the State of Utah in annual installments ranging from \$27,000 - \$45,000, including interest at 2.74 percent, through January 2028. \$ 532,000

The following is a summary of the annual payments to maturity:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 32,000	14,577	46,577
2016	33,000	13,700	46,700
2017	33,000	12,796	45,796
2018	34,000	11,892	45,892
2019	35,000	10,960	45,960
2020-2024	192,000	39,740	231,740
2025-2029	173,000	12,001	185,001
Totals	\$ <u>532,000</u>	<u>115,666</u>	<u>647,666</u>

CLARKSTON TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 8 – Fund Balance Classifications

Pursuant to GASB No. 54 (see Note 1, *Equity Classifications: Fund Financial Statements*) the governmental fund balances are classified as follows:

Restricted fund balance – \$75,552 for the perpetual care of the cemetery.

The remaining fund balance is unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

CLARKSTON TOWN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 114,000	114,000	135,342	21,342
Licenses and permits	15,800	15,800	25,712	9,912
Intergovernmental	70,425	70,425	43,834	(26,591)
Charges for services	83,910	83,910	48,125	(35,785)
Fines and forfeitures	6,000	6,000	1,497	(4,503)
Miscellaneous revenues	1,300	1,300	60,420	59,120
	<u>291,435</u>	<u>291,435</u>	<u>314,930</u>	<u>23,495</u>
Expenditures:				
General government	132,085	132,085	127,392	4,693
Public safety	37,700	37,700	32,381	5,319
Streets and public improvements	100,000	100,000	68,441	31,559
Sanitation	40,000	40,000	38,271	1,729
Parks and recreation	65,300	65,300	55,406	9,894
	<u>375,085</u>	<u>375,085</u>	<u>321,891</u>	<u>53,194</u>
Excess (deficiency) of revenues over expenditures	<u>(83,650)</u>	<u>(83,650)</u>	<u>(6,961)</u>	<u>76,689</u>
Other financing sources (uses):				
Transfers in: Unassigned Fund Balance	<u>83,650</u>	<u>83,650</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>83,650</u>	<u>83,650</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses \$	<u>-</u>	<u>-</u>	<u>(6,961)</u>	<u>76,689</u>
Fund balance - beginning of year	\$		<u>118,300</u>	
Fund balance - end of year	\$		<u>111,339</u>	

See independent accountant's compilation report.