Rush Valley Town
Rush Valley, Utah

Financial Statements

with Accountants' Compilation Report

For the Year Ended June 30, 2005

Ulrich & Associates, PC
Certified Public Accountants
Ogden, Utah

Rush Valley Town
Table of Contents

Accountants' Compilation Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Balance Sheet Reconciliation to Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Statement of Changes Reconciliation to Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund	14
Notes to Financial Statements	16

Ulrich & Associates, PC
Certified Public Accountants

ACCOUNTANTS' COMPILATION REPORT

The Honorable Mayor and Members
of the Town Council
Rush Valley Town
Rush Valley, Utah

We have compiled the accompanying financial statements of the governmental activities and the major fund of Rush Valley Town as of and for the year ended June 30, 2005, which comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information, from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Ulrich & Associates, P.C.

December 8, 2005

Members of Utah Association of CPA's | American Institute of CPA's

Charles E. Ulrich, CPA | Michael E. Ulrich, CPA
Cathie Hurst, CPA | Heather Christopherson, CPA
website] www.ulrichcpa.com

4991 South Harrison | Ogden, Utah 84403
Tel] 801.627.2100 | Fax] 801.475.6548
email] ulrich@ulrichcpa.com

As management of Rush Valley Town, we offer readers of Rush Valley Town's financial statements this narrative overview and analysis of the financial activities of Rush Valley Town for the fiscal year ended June 30, 2005.

Financial Highlights

The total net assets of $490,588 is made up of $278,514 in capital assets with no related debt, and other net assets of $212,074.

Reporting the Town as a Whole

This discussion and analysis is intended to serve as an introduction to Rush Valley Town's basic financial statements. Rush Valley Town's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of Rush Valley Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on the pages following this report.

Reporting the Town's Most Significant Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rush Valley Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds. The Town has no proprietary funds.

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

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

Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of Rush Valley Town, assets exceeded liabilities by $490,588, an increase of $50,108 over the prior year. By far, the largest portion of Rush Valley Town's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.) The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town cannot use these resources to pay liabilities it does keep liabilities to a conservative, low level.

Statement of Net Assets

	Governmental Activities	
	2005	2004
Assets:		
Current and other assets	$ 212,485	185,328
Capital assets	278,514	255,359
Total assets	490,999	440,687
Liabilities:		
Other liabilities	411	207
Total liabilities	411	207
Net Assets:		
Invested in capital assets, net of debt	278,514	255,358
Restricted	95,129	63,980
Unrestricted	116,945	121,142
Total net assets	$ 490,588	440,480

(The rest of page intentionally left blank)

Changes in Net Assets

	Governmental Activities 2005
Revenues:	
Program revenues:	
Charges for services	$ 15,777
Operating grants & contributions	43,936
General revenues:	
Property taxes	18,660
Other taxes	42,288
Interest income	2,481
Total revenues	123,142
Expenses:	
General government	36,604
Public safety	18,202
Highways and streets	2,348
Parks and recreation	14,647
Cemetery	1,233
Total expenses	73,034
Increase (decrease) in net assets	50,108
Net assets, beginning of year	440,480
Net assets, end of year	$ 490,588

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 ability to fund new projects.

As of June 30, 2005, the Town's general fund reported a fund balance of $198,511. This represents an increase of $26,738 (15.6%) over last year's ending balance, which is the excess of revenues over expenditures.

The general fund is the only operating fund of the Town. All activities are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund representing 49.4 % of total general fund revenues. The largest element of the tax revenue is sales tax, as has been the case for the last several years. Sales tax comprised 29.7% of total general fund revenues. The other large revenue sources are B&C road monies and grants which make up 28.1% and 6.5% of total general fund revenues, respectively.

In the future, a significant factor of the Town will be that the land donation from the prior year will be developed, thereby providing an increase in the property tax revenue.

General Fund Budgetary Highlights

During the current fiscal year the general fund original budget was amended, however, the original budget expenditure total of $129,600 did not change.

Capital Asset Administration

Capital assets - Rush Valley Town's investment in capital assets for its governmental activites as of June 30, 2005, amounts to $31,134 of machinery and equipment and $8,000 in building improvements. The increase in the Town's investment in fixed assets for the current year was 9.1% (due to new purchases and contributions exceeding depreciation expense).

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

$4,151 for 2 mowers and a utility trailer.

$25,236 for protective fire gear.

$8,000 in improvements on the park restroom remodel.

$1,747 for a new Town well pump.

Rush Valley Town's Capital Assets

	Governmental Activities 2005
Land	$ 73,400
Buildings	348,156
Improvements	93,633
Machinery and equipment	126,260
Less: Accumulated depreciation	(362,935)
Total	$ 278,514

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

BASIC FINANCIAL STATEMENTS

Rush Valley Town
Statement of Net Assets
June 30, 2005

	General Fund
Assets	
Cash and cash equivalents	$ 184,286
Accounts receivable - net	28,199
Capital assets (net of accumulated depreciation)	
Land	73,400
Buildings	85,000
Improvements	77,098
Machinery and equipment	43,016
Total assets	490,999
Liabilities	
Accounts payable and accrued liabilities	411
Total liabilities	411
Net Assets	
Invested in capital assets, net of related debt	278,514
Restricted for class C road	95,129
Unrestricted	116,945
Total net assets	$ 490,588

See accompanying notes and accountants' compilation report.

Rush Valley Town

Statement of Activities

For the Year Ended June 30, 2005

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue & Changes in Net Assets: Governmental Activities Total
Primary government:				
Governmental activities:				
General government	$ 36,604	4,312	8,000	(24,292)
Public safety	18,202	9,185	1,400	(7,617)
Highways and streets	2,348	-	34,536	32,188
Parks and recreation	14,647	-	-	(14,647)
Cemetery	1,233	900	-	(333)
Miscellaneous	-	1,380	-	1,380
Total governmental activities	73,034	15,777	43,936	(13,321)
General revenues:				
Property taxes				18,660
General sales and use tax				36,598
Fee in lieu				4,374
Other tax				1,316
Net interest earnings (expense)				2,481
Total general revenues				63,429
Change in net assets				50,108
Net assets - beginning				440,480
Net assets - ending				$ 490,588

See accompanying notes and accountants' compilation report.

Rush Valley Town
Balance Sheet
Governmental Funds
June 30, 2005

	General Fund
Assets	
Cash and cash equivalents	$ 184,286
Receivables (net):	
Accounts	14,636
Deferred property tax	13,563
Total assets	212,485
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	411
Deferred revenue	13,563
Total liabilities	13,974
Fund Balances:	
Reserved for:	
Class C roads	95,129
Unreserved	103,382
Total fund balances	198,511
Total liabilities and fund balances	$ 212,485

See accompanying notes and accountants' compilation report.

Rush Valley Town

Balance Sheet Reconciliation to Statement of Net Assets

June 30, 2005

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

Total fund balances - governmental fund types:	$ 198,511
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	278,514
Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	13,563
Net assets of government activities	$ 490,588

See accompanying notes and accountants' compilation report.

Rush Valley Town

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General Fund
Revenues	
Taxes	$ 60,734
Rents and permits	5,212
Highways and streets	34,536
Fire department	10,585
Grants	8,000
Interest	2,481
Miscellaneous revenue	1,380
Total revenues	122,928
Expenditures	
General government	37,331
Public safety	38,711
Highways and streets	3,387
Parks and recreation	14,228
Cemetery	2,533
Total expenditures	96,190
Excess revenues over (under) expenditures	26,738
Fund balances - beginning of year	171,773
Fund balances - end of year	$ 198,511

See accompanying notes and accountants' compilation report.

Rush Valley Town

Statement of Changes Reconciliation to Statement of Activities

For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 26,738
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.	23,155
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	215
Change in net assets of governmental activities	$ 50,108

See accompanying notes and accountants' compilation report.

Rush Valley Town

ment of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Taxes	$ 47,750	47,750	60,734	12,984
Rents and permits	3,200	3,200	5,212	2,012
Highways and streets	68,000	68,000	34,536	(33,464)
Fire department	9,900	9,900	10,585	685
Grants	-	-	8,000	8,000
Interest	750	750	2,481	1,731
Miscellaneous	-	-	1,380	1,380
Total revenues	129,600	129,600	122,928	(6,672)
Expenditures				
General government	44,200	41,291	37,331	3,960
Public safety	9,900	12,809	38,711	(25,902)
Highways and streets	68,000	68,000	3,387	64,613
Parks and recreation	5,900	5,900	14,228	(8,328)
Cemetery	1,300	1,300	2,533	(1,233)
Miscellaneous	300	300	-	300
Total expenditures	129,600	129,600	96,190	33,410
Excess revenues over (under) expenditures	-	-	26,738	26,738
Fund balances - beginning of year	171,773	171,773	171,773	-
Fund balances - end of year	$ 171,773	171,773	198,511	26,738

See accompanying notes and accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting entity

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

Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town, however, has no proprietary or fiduciary funds.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies - continued

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental fund:

> 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has no business-type activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The Town had no proprietary funds at June 30, 2005.

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.

Note 1 - Summary of Significant Accounting Policies - continued

Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

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

2. Receivables and payables

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

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

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

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Note 1 - Summary of Significant Accounting Policies - continued

Assets	Years
Buildings	30
Building improvements	15
System infrastructure	30-40
Equipment	7-15
Vehicles	5

4. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The Town has no long-term obligations.

5. Fund equity/Net assets

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

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

Capital related items:

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

Cost of capital assets	$ 641,449
Accumulated depreciation	(362,935)
Total difference	$ 278,514

Note 2 - Reconciliation of Government-wide and Fund Financial Statements - continued

Deferred revenue:

Long-term assets applicable to the Town's governmental activities are not available to pay for current expenditures and thus are deferred in government funds. The statement of net assets includes these as revenue:

Deferred revenue - property taxes	$ 13,563

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

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

Capital outlay	$ 39,134
Depreciation expense	(15,979)
Net difference as reported	$ 23,155

Note 3 - Stewardship, Compliance, and Accountability

Budgetary information

Budgets are prepared and adopted, in accordance with State law, by Rush Valley Town Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30. During the year, supplemental appropriations were made to the budget, but total appropriations did not change.

Note 3 - Stewardship, Compliance, and Accountability - continued

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

Although the Town did not exceed total budget appropriations in the General Fund, they did exceed budget appropriations in three of its departments (legal level of budgetary control) due to expenditures made at the end of the fiscal year. Public Safety, Parks and Recreation, and Cemetery exceeded appropriations by $25,902, $8,328, and $1,233 respectively. These over expenditures were funded by under expenditures in other departments.

Note 4 - Detailed Notes on all Funds

Deposits and investments

The Town maintains cash accounts with local institutions and investment pools with the Utah Public Treasurers' Investment Fund, which is available for use by all funds.

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

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of June 30, 2005, the Town had the following deposits and investments:

	Fair Value
Cash on deposit	$ 105,831
State Treasurer's investment pool	104,229
	$ 210,060

Note 4 - Detailed Notes on all Funds - continued

Interest rate risk. The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit risk. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, $5,831 of the $105,831 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on deposit	$ 80,057
Utah State Treasurer's Investment pool account	104,229
	$ 184,286

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	$ 184,286

Receivables

Receivables as of year end for the government's general fund is as follows:

	Government
Property tax	$ 871
Sales tax	6,475
B & C road revenue	7,290
Deferred property tax revenue	13,563
	$ 28,199

Note 4 - Detailed Notes on all Funds - continued

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.

Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 73,400	-	-	73,400
Total capital assets not being depreciated	73,400	-	-	73,400
Capital assets being depreciated:				
Buildings	348,156	-	-	348,156
Improvements	85,633	8,000	-	93,633
Machinery and equipment	95,126	31,134	-	126,260
Total capital assets being depreciated	528,915	39,134	-	568,049
Less accumulated depreciation for:				
Buildings	258,156	5,000	-	263,156
Improvements	10,470	6,065	-	16,535
Machinery and equipment	78,330	4,914	-	83,244
Total accumulated depreciation	346,956	15,979	-	362,935
Total capital assets, being depreciated, net	181,959	23,155	-	205,114
Governmental activities capital assets, net	$ 255,359	23,155	-	278,514

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

Governmental activities

General government	$ 10,709
Public safety	4,727
Highways and streets	124
Parks and recreation	419
Total depreciation expense	$ 15,979

Note 5 - Other Information

Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

During the year, the Town was involved in a lawsuit over a land easement, which the commercial insurance covered. The only amount the Town was liable for was the $5,000 co-payment. The Town's lawyer was not involved in the lawsuit since the insurance company and its lawyer handled the case.