Clawson Town

Emery County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Clawson Town
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June 30, 2006

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McNeil Duncan
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ACCOUNTANTS COMPILATION REPORT

Mayor and Town Council
Clawson Town
Clawson, Utah 84516

I have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clawson Town, Utah, as of and for the year ended June 30, 2006, which collectively 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. I 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 on pages 5 through 11, and the required supplementary information on page 42, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any form of assurance on the supplementary information.

I am not independent with respect to Clawson Town.

McNeil Duncan
Certified Public Accountant
December 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Clawson Town
Management's Discussion and Analysis
June 30, 2006

As management of Clawson Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

*Total net assets for the Town as a whole decreased by $16,088.

*Total unrestricted net assets for the Town as a whole increased by $2,191.

*Total net assets for governmental activities decreased by $9,262.

*Total net assets for business-type activities decreased by $6,826.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Clawson Town. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

The statement of net assets presents information on all of the 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 the Town is improving or deteriorating.

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 revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Fund financial statements. 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. Clawson Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. 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.

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

Clawson Town maintains two major governmental funds, the general fund and debt service fund.

The Town adopts an annual appropriated budget for its general and debt service funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. Clawson Town 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 uses an enterprise fund to account for the public utility activities consisting of culinary water, secondary water, and sewer services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund is considered a major fund of the Town.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

FINANCIAL ANALYSIS

Clawson Town's Net Assets

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Current and other assets	$ 64,075	62,063	24,249	30,866	88,324	92,929
Capital assets	261,332	274,536	385,048	404,839	646,379	679,375
Total assets	**325,407**	**336,599**	**409,296**	**435,704**	**734,703**	**772,303**
Current liabilities	4,947	4,267	8,973	22,555	13,919	26,822
Long-term liabilities	41,760	44,370	88,000	94,000	129,760	138,370
Total liabilities	**46,707**	**48,637**	**96,973**	**116,555**	**143,679**	**165,192**
Net assets:						
Invested in net assets, net of debt	216,962	227,556	291,048	304,839	508,009	532,395
Restricted	31,330	25,402	16,536	16,357	47,866	41,759
Unrestricted	30,408	35,004	4,740	(2,046)	35,148	32,958
Total net assets	**$278,700**	**287,962**	**312,323**	**319,150**	**591,024**	**607,112**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by $591,024, a decrease of $16,088 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are $35,148, which represents an increase of $2,191 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

FINANCIAL ANALYSIS (continued)

Clawson Town's Changes in Net Assets:

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Program revenues:						
Charges for services	$ 970	1,489	39,706	46,140	40,676	47,628
Operating grants	8,538	7,282	-	-	8,538	7,282
Capital grants	-	-	-	-	-	-
General revenues:						
Property taxes	2,882	2,732	-	-	2,882	2,732
Sales tax	13,604	12,601	-	-	13,604	12,601
Other revenues	2,412	1,028	306	133	2,719	1,161
Total revenues	**28,406**	**25,132**	**40,012**	**46,273**	**68,418**	**71,405**
Expenses:						
Administrative	35,056	25,670	-	-	35,056	25,670
Public safety	75	-	-	-	75	-
Streets and highways	188	350	-	-	188	350
Parks and recreation	2,349	1,895	-	-	2,349	1,895
Interest on long-term debt	-	-	-	-	-	-
Public utilities	-	-	46,838	56,688	46,838	56,688
Total expenses	**37,668**	**27,915**	**46,838**	**56,688**	**84,506**	**84,603**
Transfers	-	-	-	-	-	-
Change in net assets	**$(9,262)**	**(2,783)**	**(6,826)**	**(10,415)**	**(16,088)**	**(13,198)**

Total revenues decreased by $2,986, while total expenses decreased by $97. The total net decrease for the year of $16,088 is a decrease from the previous year of $2,890.

Governmental activities revenues of $28,406 is an increase of $3,275 from the previous year. Governmental activities expenses of $37,668 is an increase of $9,753 from the previous year.

Business-type activities revenue of $40,012 is a decrease of $6,261 from the previous year. Business-type activities expenses of $46,838 is a decrease of $9,850 from the previous year.

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts is described below:

General Fund

The fund balance in the general fund of $57,352 reflects a decrease of $907 from the previous year. Total revenues decreased by $3,232. Tax revenues, including property taxes and sales taxes changed by $1,153. Intergovernmental revenues increased by $1,256. All other revenues, excluding transfers, increased by $1,542.

Total expenditures increased by $9,674. Expenditure changes, by department, excluding capital outlay: administrative increased by $9,416, public safety (fire and police) increased by $75, streets and highways decreased by $271, and parks and recreation increased by $454.

Transfers into the fund of $4,890 increased by $677 over the previous year.

Net assets restricted for class C roads amount to $31,330.

Enterprise Fund

Net decrease before transfers was $6,826. Net assets restricted for debt service and construction amount to $16,536. Unrestricted net assets amount to $4,740.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes to the budget during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Clawson Town's Capital Assets (net of depreciation):

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Prior Year
Net Capital Assets:						
Land and water rights	$ 7,000	7,000	28,800	28,800	35,800	35,800
Buildings	221,505	227,512	-	-	221,505	227,512
Improvements other than buildings	21,386	22,015	-	-	21,386	22,015
Equipment	11,441	18,009	-	-	11,441	18,009
Water and sewer systems	-	-	356,248	376,039	356,248	376,039
Work in progress	-	-	-	-	-	-
Totals	$261,332	274,536	385,048	404,839	646,379	679,375

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Clawson Town's Outstanding Debt - Revenue Bonds

	Current year	Previous Year
Governmental activities:		
CIB Revenue 2000	44,370	46,980
Total governmental	**44,370**	**46,980**
Business-type activities:		
Irrigation water revenue 1994	94,000	100,000
Total business-type	**94,000**	**100,000**
Total outstanding debt	**138,370**	**146,980**

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect Clawson Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

Also, no change in any rates is expected during the next year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Clawson Town 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 Clawson Town Clerk, P.O. Box 107, Clawson, UT 84516.

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BASIC FINANCIAL STATEMENTS

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Clawson Town
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 57,580	4,141	61,721
Receivables, net	6,277	3,237	9,514
Other current assets	-	-	-
Total current assets	64,075	7,378	71,453
Non-current assets:			
Restricted cash and cash equivalents	-	16,871	16,871
Capital assets:			
Not being depreciated	7,000	28,800	35,800
Net of accumulated depreciation	254,332	356,248	610,579
Total non-current assets	261,332	401,918	663,250
TOTAL ASSETS	**325,407**	**409,296**	**734,703**
LIABILITIES			
Current Liabilities:			
Accounts payable	691	1,580	2,271
Accrued interest payable	-	1,058	1,058
Customer security deposits	-	335	335
Deferred revenues	1,428	-	1,428
Revenue bonds due within one year	2,610	6,000	8,610
Total current liabilities	4,947	8,973	13,919
Non-current liabilities:			
Revenue bonds due after one year	41,760	88,000	129,760
Total non-current liabilities	41,760	88,000	129,760
TOTAL LIABILITIES	**46,707**	**96,973**	**143,679**
NET ASSETS			
Invested in capital assets, net of related debt	216,962	291,048	508,009
Restricted for:			
Roads	31,330	-	31,330
Debt service	-	4,685	4,685
Construction	-	11,851	11,851
Unrestricted	30,408	4,740	35,148
TOTAL NET ASSETS	**278,700**	**312,323**	**591,024**
TOTAL LIABILITIES AND NET ASSETS	**$325,407**	**409,296**	**734,703**

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

Clawson Town
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
Primary government:					
Governmental activities:					
General government	$35,131	670	-	-	(34,461)
Highways and public property	188	-	8,538	-	8,350
Parks and recreation	2,349	-	-	-	(2,349)
Interest on long-term debt	-	-	-	-	-
Total governmental activities	**37,668**	**670**	**8,538**	-	**(28,460)**
Business-type activities:					
Public utilities	46,838	39,706	-	-	(7,133)
Total business-type activities	**46,838**	**39,706**	-	-	**(7,133)**
Total primary government	**$84,506**	**40,376**	**8,538**	-	**(35,592)**

(Continued on next page)

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

Clawson Town
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
CHANGE IN NET ASSETS:			
Net (expense) revenue (from previous page)	**$ (28,460)**	**(7,133)**	**(35,592)**
General revenues:			
Property taxes	2,608	-	2,608
In lieu of property tax	274	-	274
Sales taxes	13,604	-	13,604
Unrestricted investment earnings	2,065	306	2,372
Gain on sale of fixed assets	-	-	-
Miscellaneous	647	-	647
Total general revenues	**19,198**	**306**	**19,504**
Transfers	-	-	-
Total general revenues and transfers	**19,198**	**306**	**19,504**
Change in net assets	**(9,262)**	**(6,826)**	**(16,088)**
Net assets - beginning	287,962	319,150	607,112
Net assets - ending	**$278,700**	**312,323**	**591,024**

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

Clawson Town

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$52,976	2,802	1,801	57,580
Receivables, net	1,580	-	-	1,580
Due from other governments	4,696	-	-	4,696
Due from other funds	218	-	-	218
TOTAL ASSETS	**59,471**	**2,802**	**1,801**	**64,075**
LIABILITIES:				
Accounts payable	691	-	-	691
Due to other funds	-	218	-	218
Deferred revenue	1,428	-	-	1,428
TOTAL LIABILITIES	**2,119**	**218**	**-**	**2,337**
FUND BALANCES:				
Reserved for:				
Class C roads	31,330	-	-	31,330
Unreserved, reported in:				
General Fund	26,022	-	-	26,022
Debt Service	-	2,584	-	2,584
Capital Projects	-	-	1,801	1,801
TOTAL FUND BALANCES	**57,352**	**2,584**	**1,801**	**61,738**
TOTAL LIABILITIES AND FUND BALANCES	**$59,471**	**2,802**	**1,801**	**64,075**

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

Clawson Town

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property tax	$ 2,882	-	-	2,882
Sales tax	13,604	-	-	13,604
Licenses and permits	670	-	-	670
Intergovernmental	8,538	-	-	8,538
Charges for services	-	-	-	-
Interest income	1,997	68	-	2,065
Miscellaneous revenue	647	-	-	647
Total revenues	**28,338**	**68**	-	**28,406**
EXPENDITURES:				
Current:				
General government	22,481	-	-	22,481
Public safety	75	-	-	75
Highways and public works	80	-	109	188
Parks and recreation	1,720	-	-	1,720
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	2,610	-	2,610
Interest	-	-	-	-
Total expenditures	**24,355**	**2,610**	**109**	**27,074**
Excess (Deficiency) of Revenues over (Under) Expenditures	**3,983**	**(2,542)**	**(109)**	**1,333**
Other Financing Sources (Uses):				
Transfers in	-	2,980	1,910	4,890
Transfers out	(4,890)	-	-	(4,890)
Total other financing sources (uses)	**(4,890)**	**2,980**	**1,910**	-
Net Change in Fund Balances	**(907)**	**438**	**1,801**	**1,333**
Fund Balances - beginning of year	58,259	2,146	-	60,406
Fund balances - end of year	**$57,352**	**2,584**	**1,801**	**61,738**

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

Clawson Town

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances for Governmental Funds	**$ 61,738**
Total net assets reported for governmental activities in the statement are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	417,281
Less accumulated depreciation	(155,949)
Net capital assets	**261,332**
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	**(44,370)**
Total Net Assets of Governmental Activities	**$278,700**

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

Clawson Town

RCONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	**$1,333**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital outlays	-
Depreciation expense	(13,204)
Net	**(13,204)**
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Long-term debt principal repayments	**2,610**
Change in Net Assets of Governmental Activities	**$(9,262)**

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

Clawson Town

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006

	Business-type Activities - Enterprise Funds Public Utilities
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 4,141
Receivables, net	3,237
Other current assets	-
Total current assets	7,378
Non-current assets:	
Restricted cash and cash equivalents	16,871
Capital assets:	
Not being depreciated	28,800
Net of accumulated depreciation	356,248
Total non-current assets	401,918
Total assets	**409,296**
LIABILITIES:	
Current liabilities:	
Accounts payable	1,580
Accrued interest payable	1,058
Customer security deposits	335
Revenue bonds, current portion	6,000
Total current liabilities	8,973
Non-current liabilities:	
Revenue bonds, long-term	88,000
Total non-current liabilities	88,000
Total liabilities	**96,973**
NET ASSETS:	
Invested in capital assets, net of related debt	291,048
Restricted for:	
Bond retirement	4,685
Construction	11,851
Unrestricted	4,740
Total net assets	**312,323**
Total liabilities and net assets	**$409,296**

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

Clawson Town

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds
	Public Utilities
Operating income:	
Culinary water service fees	$ 25,323
Secondary water service fees	9,039
Sewer service fees	5,343
Other operating income	-
Total operating income	**39,706**
Operating expense:	
Personal services	9,488
Contractual services	13,686
Water assessment and fees	2,027
Utilities	-
Other supplies and expense	300
Insurance	114
Depreciation expense	19,791
Total operating expense	**45,406**
Net operating income (expense)	**(5,700)**
Non-operating income (expense):	
Interest income	306
Interest expense - long-term debt	(1,433)
Total non-operating income (expense)	**(1,126)**
Change in net assets	**(6,826)**
Total net assets - beginning	319,150
Total net assets - ending	**$312,323**

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

Clawson Town

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ending June 30, 2006

	Business-type Activities - Enterprise Funds Public Utilities
Cash flows from operating activities:	
Cash received from customers - service	$ 50,642
Cash paid suppliers	(24,950)
Cash paid to employees	(9,698)
Net cash provided (used) in operating activities	**15,995**
Cash flows from noncapital financing activities:	
Net cash received from (paid to) other funds	(4,481)
Net cash provided (used) in noncapital financing activities	**(4,481)**
Cash flows from capital and related financing activities:	
Cash payments for long-term debt principal	(6,000)
Cash payments for long-term debt interest	(1,500)
Net cash provided (used) in capital and related financing activities	**(7,500)**
Cash flows from investing activities:	
Cash received from interest earned	306
Net cash provided (used) in investing activities	**306**
Net increase (decrease) in cash	**4,320**
Cash balance, beginning	16,692
Cash balance, ending	**$21,012**
Cash reported on the balance sheet:	
Cash and cash equivalents	$ 4,141
Non-current restricted cash	16,871
Total cash and cash equivalents	**$21,012**

Continued on next page

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

Clawson Town

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (continued)

For the year ended June 30, 2006

Reconciliation of Operating Income to Net Cash Provided from Operating Activity:

	Business-type Activities - Enterprise Funds Public Utilities
Net operating income (expense)	**$(5,700)**
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities	
Depreciation and amortization	19,791
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	10,937
Increase (decrease) in accounts payable	(9,033)
Net cash provided in operating activity	**$15,995**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Clawson Town, (the Town) is a municipal corporation, founded in 1902, located in Emery County, Utah, operating under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of 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 inter-fund 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.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege 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*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, 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 statement.

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

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

Property taxes, sales taxes, intergovernmental revenues, 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. 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 measurable and available only when cash is received by the government.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The Town reports the following major governmental funds:

The *general fund* is the government'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 *debt service fund* accounts the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Town reports the following non-major governmental funds:

The town maintains a *capital projects fund* to account for capital projects.

Proprietary funds

The Town reports the following major proprietary funds:

The *public utility fund* is used to account for the activities regarding culinary and secondary water distribution, as well as a sewer collection system.

1-E. Assets, Liabilities, and Net Assets or Equity

1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

2. 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.

3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. All receivables are considered collectible. No allowance accounts are maintained. Property tax and intergovernmental receivables considered collectible.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the Town by Emery County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

4. Restricted Assets

At times, the Town may have funds set aside that are legally restricted or their use is limited by certain covenants. Restricted resources are applied first when eligible expenses are incurred.

5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, 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 significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated. Infrastructure will not be reported retroactive to the adoption of GASB Statement 34 on July 1, 2003.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

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

Assets	**Years**
Buildings and improvements	40
Infrastructure	30
Machinery and equipment	5-10
Vehicles	5-10

7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

8. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

None of the Town's governmental funds have deficit balances.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2006 consist of the following:

	Fair Value
Cash on hand	-
Demand deposits - checking	$ 8,302
Bank savings accounts	11,851
Investments - PTIF	58,439
Total cash and investments	**$78,592**

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents	$61,721
Restricted cash and cash equivalents	16,871
Total cash and cash equivalents	**$78,592**

Cash equivalents and investments are carried at fair value In accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. Maturity for PTIF investments is less than one year, and the balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand and savings deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

Accounts receivable are shown on the financial statements at June 30, 2006 as follows:

	General Fund	Utility Fund	Total
Property taxes receivable	$1,580	-	1,580
Intergovernmental	4,696	-	4,696
Accounts receivable, customers	-	3,237	3,237
Total receivables	**$6,277**	**3,237**	**9,514**

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and water rights	$ 7,000	-	-	7,000
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	**7,000**	-	-	**7,000**
Capital assets, being depreciated:				
Buildings	281,194	-	-	281,194
Improvements other than buildings	96,236	-	-	96,236
Machinery and equipment	33,553	-	703	32,850
Total capital assets, being depreciated	**410,984**	-	**703**	**410,280**
Less accumulated depreciation for:				
Buildings	53,682	6,007	-	59,689
Improvements other than buildings	74,221	629	-	74,850
Machinery and equipment	15,544	5,865	-	21,409
Total accumulated depreciation	**143,447**	**12,501**	-	**155,949**
Total capital assets being depreciated, net	**267,536**	**(12,501)**	**703**	**254,331**
Governmental activities capital assets, net	**$274,536**	**(12,501)**	**703**	**261,332**

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

Governmental Activities:	
Administration	$12,575
Streets and highways	-
Parks, recreation and public property	629
Total	**$13,204**

3-C. Capital assets, continued

Capital asset activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	$ 28,800	-	-	28,800
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	**28,800**	-	-	**28,800**
Capital assets, being depreciated:				
Culinary water system	-	-	-	-
Secondary water system	593,740	-	-	593,740
Sewer system	-	-	-	-
Machinery and equipment	3,570	-	-	3,570
Total capital assets being depreciated	**597,310**	-	-	**597,310**
Less accumulated depreciation for:				
Culinary water system	-	-	-	-
Secondary water system	217,701	19,791	-	237,492
Sewer system	-	-	-	-
Machinery and equipment	3,570	-	-	3,570
Total accumulated depreciation	**221,271**	**19,791**	-	**241,062**
Total capital assets being depreciated, net	**376,039**	**(19,791)**	-	**356,248**
Business-type activities capital assets, net	**$404,839**	**(19,791)**	-	**385,048**

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-Type Activities:	
Public utilities	$19,791
Total	**$19,791**

3-D. Long-term debt

Long-term debt activity for the year was as follows:

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
Governmental activities:							
CIB Lease Revenue 2000	$52,200	-	$46,980	-	2,610	44,370	2,610
Total governmental activity long-term liabilities			**$46,980**	**-**	**2,610**	**44,370**	**2,610**

Bond debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2007	$ 2,610	0	2,610
2008	2,610	0	2,610
2009	2,610	0	2,610
2010	2,610	0	2,610
2011	2,610	0	2,610
2012-2016	13,050	0	13,050
2017-2021	13,050	0	13,050
2022-2026	5,220	0	5,220
Total	$44,370	0	44,370

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
Business-type activities:							
Irrigation water revenue 1994	$156,000	1.50	$100,000	-	6,000	94,000	6,000
Total business-type activity long-term liabilities			**$100,000**	**-**	**6,000**	**94,000**	**6,000**

All bonds are revenue bonds secured by the revenues of the water system.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2007	$6,000	1,410	7,410
2008	6,000	1,320	7,320
2009	6,000	1,230	7,230
2010	6,000	1,140	7,140
2011	7,000	1,050	8,050
2012-2016	35,000	3,675	38,675
2017-2021	28,000	1,050	29,050
Total	$94,000	10,875	104,875

NOTE 4 - OTHER INFORMATION

4-A. 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. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

The town has no employee pension or other similar benefit plans.

REQUIRED SUPPLEMENTAL INFORMATION

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Clawson Town
Notes to Required Supplementary Information
June 30, 2006

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund is legally required and is prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2006, spending within the general government department exceeded appropriations by $4,450. Spending within the parks and recreation department exceeded appropriations by $970.

Clawson Town

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND

For the Year Ended June 30, 2006

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
REVENUES:				
Taxes	$14,750	14,750	16,486	(1,736)
Licenses and permits	575	575	670	(95)
Intergovernmental revenues	8,035	8,035	8,538	(503)
Charges for services	-	-	-	-
Interest	600	600	1,997	(1,397)
Miscellaneous revenue	2,110	2,110	647	1,463
Total revenues	**26,070**	**26,070**	**28,338**	**(2,268)**
EXPENDITURES				
General government	18,106	18,106	22,556	(4,450)
Highways and public improvements	100	100	80	20
Parks, recreation and public property	750	750	1,720	(970)
Total expenditures	**18,956**	**18,956**	**24,355**	**(5,399)**
Excess (deficiency) of revenues over expenditures	**7,114**	**7,114**	**3,983**	**3,131**
Other financing sources and (uses)				
Transfers in	-	-	-	-
Transfers (out)	(2,560)	(2,560)	(4,890)	2,330
Total other financing sources and (uses)	**(2,560)**	**(2,560)**	**(4,890)**	**2,330**
Net change in fund balances	**$4,554**	**4,554**	**(907)**	**5,461**
Fund balances - beginning of year			58,259	
Fund Balances - end of year			**$57,352**	