

**HOWELL
TOWN**

**Financial Statements With
Accountants' Compilation Report**

June 30, 2002

**Davis
& Bott**

Certified Public Accountants, L.C.
547 South Main
P.O. Box 369
Brigham City, Utah 84302
435-723-5224

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Davis & Bott

Certified Public Accountants, L.C.

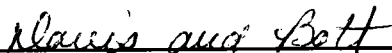
547 South Main
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Honorable Mayor and
Members of the Town Council
Howell Town
Howell, Utah 84316

We have compiled the accompanying general purpose financial statements of Howell Town as of and for the year ended June 30, 2002, 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.



DAVIS AND BOTT
Certified Public Accountants, L.C.

Brigham City, Utah
February 10, 2003

HOWELL TOWN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002

	Governmental Fund Type	Proprietary Fund Type
	General	Enterprise
ASSETS		
Cash	\$ -0-	\$ 123,421
Investments	112,367	-0-
Accounts receivable	-0-	955
Interfund receivable	-0-	8,961
Fixed assets (net of accumulated depreciation)	-0-	241,611
Total assets	\$ 112,367	\$ 374,948
LIABILITIES		
Accounts payable	2,585	1,918
Interfund payable	8,961	-0-
Current portion of long-term debt	-0-	6,112
Note payable	-0-	137,930
Total liabilities	11,546	145,960
EQUITY		
Investment in general fixed assets	-0-	-0-
Contributed capital	-0-	213,365
Retained earnings:		
Unreserved	-0-	15,623
Fund balance:		
Reserved for Class C roads	71,020	-0-
Unreserved	29,801	-0-
Total equity	100,821	228,988
Total liabilities and equity	\$ 112,367	\$ 374,948

<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
<u>General Fixed Assets</u>	<u>June 30, 2002</u>
\$ -0-	\$ 123,421
-0-	112,367
-0-	955
-0-	8,961
<u>99,548</u>	<u>341,159</u>
<u>\$ 99,548</u>	<u>\$ 586,863</u>
\$ -0-	\$ 4,503
-0-	8,961
-0-	6,112
-0-	137,930
<u>-0-</u>	<u>157,506</u>
99,548	99,548
-0-	213,365
-0-	15,623
-0-	71,020
-0-	29,801
<u>99,548</u>	<u>429,357</u>
<u>\$ 99,548</u>	<u>\$ 586,863</u>

See Accountants' Compilation Report.
The accompanying notes are an integral part of these statements.

HOWELL TOWN
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 2002

	<u>Governmental</u> <u>Fund Type</u>
	<u>General</u>
REVENUES:	
Taxes	\$ 12,852
Licenses and permits	1,167
Charges for services	3,723
Intergovernmental	30,409
Earnings on investments	5,523
Other miscellaneous	<u>916</u>
Total revenues	<u>54,590</u>
 EXPENDITURES	
Current:	
General government	10,038
Culture and recreation	3,596
Highways and streets	<u>61,019</u>
Total expenditures	<u>74,653</u>
Excess (deficiency) of revenues over expenditures	(20,063)
Operating transfers out	(65,597)
Fund balance at beginning of year	<u>186,481</u>
Fund balance at end of year	<u>\$ 100,821</u>

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HOWELL TOWN
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 2002

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfvrl)</u>
REVENUES:			
Taxes	\$ 18,120	\$ 12,852	\$ (5,268)
Licenses and permits	-0-	1,167	1,167
Intergovernmental	44,030	30,409	(13,621)
Charges for services	900	3,723	2,823
Earnings on investments	5,000	5,523	523
Other miscellaneous	<u>250</u>	<u>916</u>	<u>666</u>
 Total revenues	 <u>68,300</u>	 <u>54,590</u>	 <u>(13,710)</u>
 EXPENDITURES:			
Current:			
General government	12,000	10,038	1,962
Culture and recreation	2,900	3,596	(696)
Highways and streets	<u>53,400</u>	<u>61,019</u>	<u>(7,619)</u>
 Total expenditures	 <u>68,300</u>	 <u>74,653</u>	 <u>(6,353)</u>
 Excess (deficiency) of revenues over expenditures	 -0-	 (20,063)	 (20,063)
 Operating transfers out	 (105,337)	 (65,597)	 39,740
 Fund balance at beginning of year	 <u>186,481</u>	 <u>186,481</u>	 <u>-0-</u>
 Fund balance at end of year	 <u>\$ 81,144</u>	 <u>\$ 100,821</u>	 <u>\$ 19,677</u>

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HOWELL TOWN
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES FUNDS
Year Ended June 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Revenues:	
Charges for services	\$ 34,872
Interest	<u>2,769</u>
Total revenues	<u>37,641</u>
Expenses:	
Personal services	5,138
Supplies and maintenance	4,018
Utilities and insurance	3,798
Depreciation	5,222
Interest	3,562
Other miscellaneous	<u>280</u>
Total expenses	<u>22,018</u>
Net income (loss)	15,623
Operating transfers in	65,597
Retained earnings at beginning of year	<u>(65,597)</u>
Retained earnings at end of year	<u>\$ 15,623</u>

See Accountants' Compilation Report.
The accompanying notes are an integral part of these statements.

**HOWELL TOWN
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Net income (loss)	\$ 15,623
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	5,222
Increase/decrease in:	
Accounts receivable	241
Interfund receivable	(8,961)
Accounts payable	<u>1,230</u>
Net cash provided (used) by operating activities	<u>13,355</u>
Cash flows from noncapital financing activities:	
Permanent transfer to account	<u>65,597</u>
Net cash provided (used) by noncapital financing activities	<u>65,597</u>
Cash flows from capital and related financing activities:	
Purchase of equipment/improvements	(101,806)
Principal payments on long-term debt	<u>(5,958)</u>
Net cash provided by capital and related financing activities	<u>(107,764)</u>
Net increase (decrease) in cash and cash equivalents	(28,812)
Cash and cash equivalents beginning of year	<u>152,233</u>
Cash and cash equivalents end of year	<u>\$ 123,421</u>
Combined balance sheet cash and cash equivalents:	
Cash	\$ 123,421
Investments	<u>-0-</u>
	<u>\$ 123,421</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 3,356</u>

*See Accountants' Compilation Report.
The accompanying notes are an integral part of these statements.*

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

Howell Town is governed by an elected mayor and four council members. The accounts of Howell Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two generic fund types and two broad fund categories as follows:

Governmental Funds--

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds--

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

See Accountants' Compilation Report.

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	25-50 years
Improvement	10-50 years
Equipment	3-10 years

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available is defined by the Town as funds received by year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds and nonexpendable trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

See Accountants' Compilation Report.

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

E. Long-Term Obligation

Long-term debt of the government fund type is reported in the general long-term debt account group. Payment of this debt is recorded in the general fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in that fund.

F. Cash Equivalents

For purposes of the statement of cash flows, Howell Town considers all certificates of deposit to be cash equivalents. Investments, which consists only of money invested in the State Treasurer's Investment Pool, is also considered to be a cash equivalent.

G. 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 reporting period. Actual results could differ from those estimates.

H. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

See Accountants' Compilation Report.

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2. CASH AND INVESTMENTS

Howell Town's carrying amount of deposits was \$123,421 and the bank balance was \$123,543. At year-end \$100,000 was covered by federal depository insurance. The balance was uninsured and uncollaterized.

Statues authorize Howell Town to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Howell Town's investments at year-end are shown below.

	<u>Carrying Amount</u>	<u>Market Value</u>
State Treasurer's Investment Pool	\$ 112,367	\$ 112,367

NOTE 3. FIXED ASSETS

The following is a summary of changes in the general fixed assets group of accounts during the fiscal year:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Buildings and Improvements	\$ 75,000	\$ -0-	\$ -0-	\$ 75,000
Equipment	24,548	-0-	-0-	24,548
Total general fixed assets	\$ 99,548	\$ -0-	\$ -0-	\$ 99,548

The following is a summary of changes in enterprise fund property, plant, and equipment during the year:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Improvements other than buildings	\$ 334,012	\$ 101,806	\$ -0-	\$ 435,818
Total	\$ 334,012	\$ 101,806	\$ -0-	435,818
Accumulated depreciation				(194,207)
Net property, plant and equipment				\$ 241,611

See Accountants' Compilation Report.

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4. LONG-TERM DEBT

Proprietary Fund

Note payable:

\$150,000 note payable to State of Utah, Division of Finance (DDW) due in twenty (20) annual installments of \$9,468 through January of the year 2021. Interest at 2.33 percent.

Balance at June 30, 2002	\$	144,042
Current portion		<u>(6,112)</u>
		<u>\$ 137,930</u>

Debt Service Requirements

The debt service requirements for the Proprietary Funds long-term debt at June 30, 2002 are as follows:

<u>Year Ending</u> <u>June 30</u>		<u>Proprietary</u> <u>Debt</u>
2003	\$	6,112
2004		6,255
2005		6,400
2006		6,549
2007		6,702
Thereafter		<u>112,024</u>
		<u>\$ 144,042</u>

NOTE 5. RESERVED FUND BALANCE

Fund balance has been reserved for the following purpose:

Reserve for Class C Roads - money received from the State of Utah Road Fund allotment to be used for future maintenance of the Town's road network.

HOWELL TOWN
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 6. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures over Budget

The following departments incurred expenditures in excess of budget:

All Governmental Fund Types:

	<u>Actual</u>	<u>Budget</u>	<u>Actual Over Budget</u>
Culture and Recreation	\$ 3,596	\$ 2,900	\$ (696)
Highways and Streets	\$ 61,019	\$ 53,400	\$ (7,619)

Excess Fund Balance

The General Fund has a June 30, 2002 fund balance in excess of the maximum allowed, (i.e. in excess of 75% of the total estimated revenue of the general fund).

NOTE 7. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

NOTE 8. RISK MANAGEMENT

Howell Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through Utah Local Government Trust. Injuries to employees are insured through Utah Local Government Trust. Settled claims have not exceeded the Town's insurance. For insured programs, there have been no significant reductions in insurance coverage.

See Accountants' Compilation Report.