

TOWN OF ALTON
FINANCIAL STATEMENTS
YEAR ENDED June 30, 2003

TOWN OF ALTON, UTAH

TABLE OF CONTENTS

Financial Section:

Accountant's Compilation Report	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types.....	4
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balance - All Proprietary	5
Combined Statement of Cash Flows - Increase (Decrease) in Cash and Cash Equivalents -All Proprietary Funds and Similar Trust Funds.....	6
Notes to Financial Statements.....	7-14

ACCOUNTANT'S COMPILATION REPORT

The Honorable Town Council
Town of Alton, Utah
Alton, Utah

We have compiled the accompanying general purpose financial statements of the Town of Alton, Utah of June 30, 2003, and for the year then ended, 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 for the fiscal year ended June 30, 2003 and, accordingly, do not express an opinion or any other form of assurance on them.


WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
December 30, 2003

TOWN OF ALTON, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types	Totals (Memorandum Only)	
		Year Ended	
		June 30, 2003	June 30, 2002
REVENUES:			
Taxes	16,226	16,226	16,876
Sales Tax Collections	8,933	8,933	8,905
Licenses & Permits			340
Intergovernmental Revenue	20,974	20,974	140,726
Charges for Services	2,509	2,509	6,375
Interest Revenue	221	221	2,145
Miscellaneous Revenue	10,369	10,369	2,067
Total Revenues	59,232	59,232	177,434
EXPENDITURES:			
General Government	17,817	17,817	15,941
Public Safety	4,875	4,875	8,161
Streets and Highways	23,092	23,092	158,373
TV & Solid Waste	4,276	4,276	4,294
Culture & Recreation	985	985	9,955
Total Expenditures	51,045	51,045	196,724
Excess of Revenues Over (Under) Expenditures	8,187	8,187	(19,290)
Fund Balance - July 1	28,488	28,488	47,778
Fund Balance - June 30	36,675	36,675	28,488

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTON, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
For the Fiscal Year Ended June 30, 2002

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES:			
Taxes	15,800	16,226	426
Sales Tax Collections	8,800	8,933	133
Licenses & Permits	500		(500)
Intergovernmental Revenue	19,810	20,974	1,164
Charges for Services	4,200	2,509	(1,691)
Interest Revenue	2,000	221	(1,779)
Miscellaneous Revenue	3,000	10,369	7,369
Total Revenues	54,110	59,232	1,223
EXPENDITURES:			
General Government	10,150	17,817	(7,667)
Public Safety	6,150	4,875	1,275
Streets and Highways	25,000	23,092	1,908
TV & Solid Waste	4,200	4,276	(76)
Culture & Recreation	4,100	985	3,115
Total Expenditures	49,600	51,045	(1,445)
Excess of Revenues Over (Under) Expenditures	4,510	8,187	(222)
Fund Balance - July 1	28,488	28,488	
Fund Balance - June 30	32,998	36,675	(222)

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTON, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN RETAINED EARNINGS-
FUND BALANCES ALL PROPRIETARY FUNDS
AND SIMILAR TRUST FUNDS
For the Fiscal Year Ended June 30, 2003

	Proprietary Fund Types	Totals (Memorandum Only)	
		Year Ended June 30, 2003	Year Ended June 30, 2002
OPERATING REVENUE:			
Charges for Services	17,147	17,147	17,305
Total Operating Revenues	17,147	17,147	17,305
OPERATING EXPENSES:			
Administration	954	954	50
System Repairs			1,723
Water Test	390	390	165
Depreciation	4,214	4,214	3,253
Total Operating Expense	5,558	5,558	5,191
Operating Income (Loss)	11,589	11,589	12,114
NON-OPERATING REVENUE (EXPENSES):			
Interest Income	570	570	339
Interest Expense	(3,337)	(3,337)	(5,981)
Other Income			1,820
Total Non-Operating Revenues Over (Under) Non-Operating Expenses	(2,767)	(2,767)	(3,822)
Net Income (Loss)	8,822	8,822	8,292
Retained Earnings/Fund Balances, July 1	72,513	72,513	64,221
Retained Earnings/Fund Balances, June 30	81,335	81,335	72,513

panying notes are an integral part of these financial statements.

TOWN OF ALTON, UTAH
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 For the Fiscal Year Ended June 30, 2003

	Proprietary Fund Types	Totals (Memorandum Only)	
		Year Ended June 30, 2003	Year Ended June 30, 2002
Cash flows from operating activities:			
Net income (loss)	8,822	8,822	8,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,214	4,214	3,253
Due From Other Funds	15,360	15,360	(15,360)
Increase in Accounts Receivable	(4,015)	(4,015)	(2,200)
Total adjustments	<u>15,559</u>	<u>15,559</u>	<u>(14,307)</u>
Net cash provided by operating activities	<u>24,381</u>	<u>24,381</u>	<u>(6,015)</u>
Cash flows from investing activities:			
Investment in Property, Plant & Equipment	<u>(23,445)</u>	<u>(23,445)</u>	
Net cash provided in investing activities	<u>(23,445)</u>	<u>(23,445)</u>	
Cash flows from financing activities:			
Principal payments on mortgages	<u>(1,534)</u>	<u>(1,534)</u>	<u>(15,268)</u>
Net cash provided in financing activities	<u>(1,534)</u>	<u>(1,534)</u>	<u>(15,268)</u>
Net increase in cash and cash equivalents	<u>(598)</u>	<u>(598)</u>	<u>(21,283)</u>
Cash and cash equivalents at beginning of year	<u>26,725</u>	<u>26,725</u>	<u>48,008</u>
Cash and cash equivalents at end of period	<u><u>26,127</u></u>	<u><u>26,127</u></u>	<u><u>26,725</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:			
Cash and Cash Equivalents	15,402	15,402	10,267
Restricted Investments	<u>10,725</u>	<u>10,725</u>	<u>16,458</u>
Total Cash and Cash Equivalents	<u><u>26,127</u></u>	<u><u>26,127</u></u>	<u><u>26,725</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town operates under a mayor-council form of government and provides the following services as authorized by its charter: Public Safety - Fire, Highways and Streets, Water Utility Services, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, Town of Alton, Utah has included all funds and account groups. The Town has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause financial statements of Town of Alton, Utah to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria are included in Governmental Accounting Standards Board Statement No. 14 and include appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

No additional component units exist as of June 30, 2003 and the Town is not a component unit of any other governmental entity.

B. Fund Accounting

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and groups of accounts are used by the Town:

Governmental Fund Types:

General Fund-

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Proprietary Fund Types:

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:

Enterprise Fund-

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges.

General Fixed Assets Account Group:

General Fixed Assets (GFA)

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. 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 of donation. No depreciation is recorded on general fixed assets.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus.

With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the Town also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets and Budgetary Accounting

The Town adopts an annual budget for Governmental and Enterprise Funds. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP. Any revisions that alter the total expenditures/expenses must be approved by the Town Council. Prior to year-end, the Town Council may adopt an amended budget approving additional expenditures/expenses. The budget for the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end.

E. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

F. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on August 1 and are due and payable on or before November 30 of the following year. All unpaid taxes become delinquent November 30 of the following year. Kane County bills and collects property taxes for the City. Property tax revenues are recognized when received from Kane County.

G. Property, Plant and Equipment

General Fixed Assets Account Group-

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Group of Accounts, rather than in governmental funds. Public domain ("infrastructure") general fixed assets 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 such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:

Water - Utility Fund

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water and Sewer Distribution Systems	30 - 75 years
Buildings	20 years
Machinery and Equipment	10 - 20 years

H. Total columns on combined Statements - Overview

Total Columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows 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.

I. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2. CASH AND INVESTMENTS

The Town maintains detailed accounting records for individual funds. The basis of investments is cost. Deposits and investments are not required to be collateralized by state statute.

There are no restrictions or material differences in the types of investments that can be made for different funds, fund types, or component units, provided such investments meet the requirements of the Utah Money Management Act.

Deposits: The Town follows the requirement of the Utah Money Management Act (Utah code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the City to deposit funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
 June 30, 2003

NOTE 2: CASH AND INVESTMENTS-CONTINUED:

Deposits of the Town at June 30, 2003, are categorized into amounts deposited with federally insured banks who are certified institutions according to the Utah Money Management Act and amounts held by State Bank as fiscal agent for bonds issued. The following table summarizes the deposits held at June 30, 2003.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Federally Insured Deposits - State Bank	\$20,333	\$21,260

Investment: Town of Alton, Utah holds investments in the Utah State Treasurer's Pool. Such investments are evidenced by deposit receipts issued by the Utah State Treasurer's Office. The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. The summary of investments provided by the Utah State Treasurer indicates pool investments in commercial paper, certificates of deposit, corporate notes, US Treasury obligations, and obligations of agencies of the United States. The following table summarizes investments.

	<u>Carrying Amount</u>	<u>Fair Value</u>
	\$ 42,469	\$ 42,469

A reconciliation of cash and investments as shown on the combined balance sheet is as follows:

Carrying amount of deposits	\$20,333	
Carrying amount of investments	<u>\$42,469</u>	
Total	<u>\$62,802</u>	
Cash and cash equivalents	\$15,402	
Restricted Investments	<u>\$47,400</u>	
Total	<u>\$62,802</u>	

NOTE 3: CHANGES IN FIXED ASSETS:

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the fiscal year.

	<u>Balance 06/30/02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/03</u>
Buildings and Improvements	\$ 357,609	\$	\$	\$ 357,609
Machinery & Equipment	<u>2,090</u>	_____	_____	<u>2,090</u>
Total general fixed assets	<u>\$ 359,699</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 359,699</u>

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
 June 30, 2003

NOTE 3: CHANGES IN FIXED ASSETS-CONTINUED:

Proprietary Fund Fixed Assets

The following is a summary of proprietary fund fixed assets at June 30, 2003:

	Water Utility Fund	Total
Utility System, Building and Equipment	\$ 267,443	\$ 243,998
Less-Accumulated Depreciation	(89,387)	(89,387)
Net Book Value	\$ 178,056	\$ 178,056

NOTE 4: CHANGES IN LONG-TERM DEBT:

The following is a summary of bond transactions of the Town for the fiscal year ended June 30, 2003:

	Revenue	Total
Bonds payable at June 30, 2002	\$ 130,597	\$ 130,597
Less Bond Payments	(1,534)	(1,597)
Bonds payable at June 30, 2003	\$ 129,063	\$ 129,063

Revenue bonds payable at June 30, 2003, are comprised of the following individual issues:

USDA September 1998 revenue bonds with monthly payments of \$615 through 2038. Interest rate is 4.5%.	<u>\$129,063</u>
Net Revenue Bonds payable at June 30, 2003	<u>\$129,063</u>

The revenue bonds are collateralized by the revenue of the various special funds established by the bond ordinances. The ordinances provide that the revenue of the sewer and water systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the Town to maintain pledged revenues, as defined in the ordinances, for each year sufficient to pay the annual debt service requirements.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
 June 30, 2003

NOTE 4: CHANGES IN LONG TERM DEBT-CONTINUED:

The annual requirements to amortize all debt outstanding as of June 30, 2003, including interest payments of \$125,008 are as follows:

Fiscal Year Ending June 30, 2003	Principal	Interest	Total
2004	1,469	5,296	6,765
2005	1,672	5,708	7,380
2006	1,749	5,631	7,380
2007	1,830	5,550	7,380
2008	1,914	5,466	7,380
2009-2013	10,971	25,929	36,900
2014-2018	13,733	23,167	36,900
2019-2023	17,191	19,709	36,900
2024-2028	21,520	15,380	36,900
2029-2033	26,939	9,961	36,900
2034-2038	30,075	3,211	33,286
Totals	<u>129,063</u>	<u>125,008</u>	<u>254,071</u>

NOTE 5: RESTRICTED ACCOUNTS - BOND COVENANTS:

As part of restricted investments, the Town of Alton maintains the following balances in compliance with various bond agreements:

Water Revenue Bonds

\$ 10,725

This amount represents reserve, emergency repair, and sinking funds restricted for payment of bond principal, interest and construction costs as they come due.

TOWN OF ALTON, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2003

NOTE 6: COMPONENTS OF RESTRICTED FUND BALANCE:

General Fund:	
Class C Road	<u>\$ 34,922</u>
Total General Fund	<u>\$ 34,922</u>
Enterprise Funds:	
Water Utility Fund Bond Reserves	<u>\$ 10,725</u>
Total Enterprise Funds	<u>\$ 10,725</u>

NOTE 7: RISK MANAGEMENT:

Town of Alton, Utah is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The Town has procured commercial insurance coverage and Workman's Compensation Insurance which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level.