

ELMO TOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

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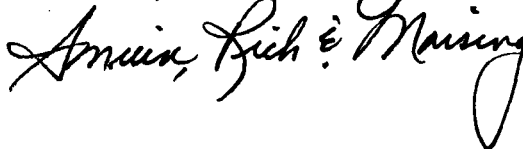
ACCOUNTANTS' COMPILATION REPORT

Honorable Mayor and Town Council
Elmo Town
Elmo, Utah 84521

We have compiled the financial statements of the various funds and account groups of Elmo Town as of and for the year ended June 30, 2003, and the related statements of revenues, expenditures or expenses and changes in fund balances for the year then ended, in accordance with standards established 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.

SMUIN, RICH & MARSING



Price, Utah

December 30, 2003

**ELMO TOWN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPES	FUDICIARY FUND TYPES	ACCOUNT GROUPS	TOTALS (MEMORANDUM ONLY)
	GENERAL	CAPITAL PROJECTS	ENTERPRISE	TRUST AND AGENCY	GENERAL FIXED ASSETS	JUNE 30, 2003
ASSETS						
Cash			\$ 162,304			\$ 162,304
Investments	\$ 263,346	\$ 41,360		\$ 57,035		361,741
Interest receivable	13,162			390		13,552
Accounts receivable			10,690			10,690
Taxes receivable	8,909					8,909
Water stock			99,037			99,037
Land					\$ 4,750	4,750
Buildings and improvements					13,645	13,645
Improvements other than buildings					467,017	467,017
Machinery and equipment					45,621	45,621
Work in progress					164,001	164,001
Total assets	\$ 285,417	\$ 41,360	\$ 272,031	\$ 57,425	\$ 695,034	\$ 1,351,267
LIABILITIES AND FUND EQUITY						
Liabilities:						
Cash deficit	\$ 115,493	\$ 41,360				\$ 156,853
Accounts payable	5,116		\$ 5,244			10,360
Accrued liabilities	791					791
Deferred Revenue	7,461					7,461
Total liabilities	\$ 128,861	\$ 41,360	\$ 5,244	\$...	\$...	\$ 175,465
Fund Equity:						
Investments in fixed assets					\$ 695,034	\$ 695,034
Retained earnings:						
Reserved for water stock (Note 10)			\$ 99,037			99,037
Reserved for cemetary perpetual care (Note 3)				\$ 57,425		57,425
Unreserved			167,750			167,750
Fund balances:						
Reserved for Class C Road (Note 3)	\$ 142,771					142,771
Unreserved	13,785					13,785
Total fund equity	\$ 156,556	\$...	\$ 266,787	\$ 57,425	\$ 695,034	\$ 1,175,802
Total liabilities and fund equity	\$ 285,417	\$ 41,360	\$ 272,031	\$ 57,425	\$ 695,034	\$ 1,351,267

"See accountants' compilation report and accompanying notes."

ELMO TOWN
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)
	GENERAL	CAPITAL PROJECTS	JUNE 30, 2003
REVENUES:			
Taxes	\$ 38,642		\$ 38,642
Licenses and permits	316		316
Intergovernmental revenue	26,937		26,937
Interest	4,801		4,801
Miscellaneous revenue	3,893		3,893
Total revenues	\$ 74,589	\$...	\$ 74,589
EXPENDITURES:			
General government	\$ 43,443		\$ 43,443
Highways and streets	3,364		3,364
Public safety	1,407		1,407
Parks and recreation	2,677		2,677
Cemetery	1,770		1,770
Capital outlay	6,733		6,733
Total expenditures	\$ 59,394	\$...	\$ 59,394
Excess of revenues over (under) expenditures	\$ 15,195	\$...	\$ 15,195
OTHER FINANCING SOURCES (USES):			
Operating transfers out	\$ (60,000)		\$ (60,000)
Total other financing sources (uses)	\$ (60,000)	\$...	\$ (60,000)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (44,805)		\$ (44,805)
FUND BALANCE - July 1, 2002	201,361		201,361
FUND BALANCE - June 30, 2003	\$ 156,556	\$...	\$ 156,556

"See accountants' compilation report and accompanying notes."

ELMO TOWN
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	GENERAL FUND			CAPITAL PROJECTS FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Taxes	\$ 38,834	\$ 38,642	\$ (192)			
Licenses and permits	732	316	(416)			
Intergovernmental revenue	92	26,937	26,845			
Interest	6,000	4,801	(1,199)			
Miscellaneous revenue		3,893	3,893			
Total revenues	\$ 45,658	\$ 74,589	\$ 28,931	\$...	\$...	\$...
EXPENDITURES:						
General government	\$ 77,640	\$ 43,443	\$ 34,197			
Highways and streets	15,200	3,364	11,836			
Public safety	4,600	1,407	3,193			
Parks and recreation	4,000	2,677	1,323			
Cemetery	3,000	1,770	1,230			
Capital outlay	80,000	6,733	73,267			
Total expenditures	\$ 184,440	\$ 59,394	\$ 125,046	\$...	\$...	\$...
Excess of revenues over (under) expenditures	\$ (138,782)	\$ 15,195	\$ 153,977	\$...	\$...	\$...
OTHER FINANCING SOURCES (USES):						
Operating transfers out	\$ (60,000)	\$ (60,000)				
Total other financing sources (uses)	\$ (60,000)	\$ (60,000)	\$...	\$...	\$...	\$...
Excess of revenues and other sources over (under) expenditures and other uses	\$ (198,782)	\$ (44,805)	\$ 153,977			
FUND BALANCE - July 1, 2002	201,361	201,361				
FUND BALANCE - June 30, 2003	\$ 2,579	\$ 156,556	\$ 153,977	\$...	\$...	\$...

"See accountants' compilation report and accompanying notes."

ELMO TOWN
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
	ENTERPRISE	NON- EXPENDABLE TRUST	JUNE 30, 2003
OPERATING REVENUES:			
Charges for services	\$ 44,200		\$ 44,200
Total operating revenues	\$ 44,200	\$...	\$ 44,200
OPERATING EXPENSES:			
Water and sewer charges	\$ 27,060		\$ 27,060
Garbage charges	9,901		9,901
Total operating expenses	\$ 36,961	\$...	\$ 36,961
Operating income (loss)	\$ 7,239	\$...	\$ 7,239
NON-OPERATING REVENUES:			
Interest income		\$ 1,397	\$ 1,397
Transfer from general fund	\$ 60,000		60,000
Total non-operating revenues	\$ 60,000	\$ 1,397	\$ 61,397
Net income (loss)	\$ 67,239	\$ 1,397	\$ 68,636
RETAINED EARNINGS - July 1, 2002	199,548	56,028	255,576
RETAINED EARNINGS - June 30, 2003	\$ 266,787	\$ 57,425	\$ 324,212

"See accountants' compilation report and accompanying notes."

ELMO TOWN
COMBINED STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
	ENTERPRISE	NON- EXPENDABLE TRUST	JUNE 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash paid to vendors	\$ (32,925)		\$ (32,925)
Cash received from customers	42,341		42,341
Net cash provided by operating activities	\$ 9,416	\$...	\$ 9,416
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:			
Contributions from general fund	\$ 60,000		\$ 60,000
Net cash provided by capital and related financing activities	\$ 60,000	\$...	\$ 60,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments		\$ 1,397	\$ 1,397
Net cash provided by investing activities	\$...	\$ 1,397	\$ 1,397
Net increase (decrease) in cash and cash equivalents	\$ 69,416	\$ 1,397	\$ 70,813
Cash and cash equivalents - Beginning of year	92,888	55,638	148,526
Cash and cash equivalents - End of year	\$ 162,304	\$ 57,035	\$ 219,339
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 7,239		\$ 7,239
Adjustments to reconcile net income to cash provided by operating activities:			
Increase in accounts receivable	(1,859)		(1,859)
Increase in accounts payable	4,036		4,036
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,416	\$...	\$ 9,416

"See accountants' compilation report and accompanying notes."

ELMO TOWN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

1. **SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of Elmo Town for the year ended June 30, 2003 is set forth below:

A. **Reporting Entity**

All entities over which the Town has financial accountability are included in this report. The inclusion or exclusion of these entities was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability by elected officials of the Town. In addition to financial accountability, consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operation, and accountability for fiscal matters. At June 30, 2003, the Town had no component units.

B. **Method of Accounting**

Elmo Town's accounting records are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Elmo Town utilizes the modified accrual basis of accounting for all funds except proprietary and similar trust funds. The modified accrual basis of accounting provides for the recognition of revenues in the period in which they become available and measurable; expenditures are recognized when the government has received, and becomes liable for payment for, goods and services. Accrual accounting is followed in accounting for proprietary and similar trust funds. Accrual accounting recognizes revenues when earned and expenses when they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Elmo Town has the following fund types and account groups:

Governmental Fund Types

General Fund - The General Fund accounts for all activities except those required to be accounted for in another fund. Revenues in this fund are derived from taxes, fees, and other sources that usually are not designated for any specific purposes. The revenues are used for general ongoing government services such as administration, maintenance, and fire protection.

Capital Projects Fund - The Capital Projects Fund accounts for the receipt and disbursement of resources for the purpose of building or acquiring major capital assets.

Proprietary Fund Types

Enterprise Fund - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 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.

Fiduciary Fund Types

Non-expendable Trust Fund - The Non-expendable Trust Fund accounts for collection and disbursement of assets held in trust for safekeeping and investment by the Town.

Account Groups

General Fixed Assets Account Group - Although the cost of capital assets is charged to expenditures as incurred in governmental funds, continuing accountability for those assets is maintained in this account group. Depreciation is not provided on general fixed assets.

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

D. Cash Equivalents

For purposes of the statement of cash flows, money held in checking and savings accounts is considered to be cash equivalents.

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. **Budgets and Budgetary Accounting**

Elmo Town follows the budgeting practices and procedures required by Utah State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds that require a budget. All general funds require formal budget adoption. The budget is a complete financial plan, which identifies all estimated revenues and other financing sources; these must equal appropriated expenditures.
2. By June 7, the clerk submits to the Town Council a proposed operating budget for the fiscal year beginning July 1.
3. The Mayor and Town Council discuss and approve the budget and set a date for a public hearing on the proposed budget.
4. A public hearing is held to obtain taxpayer comments and the budget is adopted.
5. The Town Council can transfer budgeted amounts between line items or departments by resolution, but any action that increases the total general fund budget must be approved by resolution, only after a public hearing. (The budgets of other funds may be increased after giving public notice).

F. **Proprietary Funds**

The Town applied to proprietary funds all GASB pronouncements and FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

2. **CASH AND INVESTMENTS**

The Town maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash. Income from the investment of the pooled cash is allocated based on each fund's portion of the pool.

At June 30, 2003, the book balance of cash on deposit was \$367,192 and the bank balance was \$368,242. Of these deposits \$142,804 was covered by federal depository insurance and is classified as Category 1 under GASB Statement 3. The remaining bank balance of \$225,438 is classified as Category 3. Deposits are not collateralized nor are they required to be by State statute.

The Town follows the requirements of the Utah Money Management Act (the Act) in handling its depository and temporary transactions. This law requires the depositing of town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

3. **RESERVED FUND BALANCES**

Included in the General and Fiduciary Funds' cash and investment accounts at June 30, 2003 are the following, which are restricted as to their use:

Cemetary Perpetual Care	\$ 57,425
Class "C" Road Funds	<u>142,771</u>
	<u>\$ 200,196</u>

4. **PENSION PLANS**

Elmo Town does not provide its employees with pension plan coverage.

5. **TOTAL COLUMNS**

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present 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.

6. **CHANGE IN GENERAL FIXED ASSETS**

The changes in the general fixed assets are listed below:

	Beginning Balance 7-1-02	Additions	Adjustments and Retirements	Ending Balance 6-30-03
Land	\$ 4,750			\$ 4,750
Buildings and improvements	13,645			13,645
Improvements other than buildings	467,017			467,017
Machinery and equipment	38,889	\$ 6,732		45,621
Work in progress	164,001			164,001
	<u>\$ 688,302</u>	<u>\$ 6,732</u>	<u>\$...</u>	<u>\$ 695,034</u>

7. **BUDGET COMPLIANCE**

Elmo Town did not have any unfavorable budget variances.

8. **PROPERTY TAX CALENDAR**

The Town adopts, by June 22, the proposed tax rates as part of its budget for the current year, which begins July 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The final tax rate is assessed by the county assessor on property in the county as of January 1. The taxes are payable to the county treasurer by the end of November and are remitted to Elmo Town by the county treasurer as collected.

9. **OFF BALANCE SHEET RISK**

Elmo Town has eleven bank accounts with Zions Bank; one checking account, three money market accounts and seven certificates of deposit. The total funds held in these accounts at June 30, 2003, was \$324,388. Although there are eleven accounts, FDIC insurance will only cover \$100,000 on deposit. By maintaining an account balance greater than FDIC insurance limitations, the Town could potentially lose money in excess of insured balances.

10. **WATER STOCK**

Because Elmo Town is located in a semi-arid part of Utah where the water supply is somewhat limited, the Town began purchasing water shares in 1988. New home construction in the town is extremely limited because of water availability. The purchase of water shares by the Town has been made to allow for new construction, at which time the water shares will be sold to prospective homebuyers.

The water shares are uninsured. The carrying value of the water shares is their cost, \$99,037. The exact market value is unknown; however, market is felt to be substantially greater than cost.

11. **RISK MANAGEMENT**

Elmo Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town is insured through commercial companies for its general liability coverage. At June 30, 2003, the Town had no claims or judgements filed against it related to the risks mentioned above.

12. PROPERTY TAXES

The property tax revenue of the Town is collected and distributed by Emery County Treasurer as an agent of the Town. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2003, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2002 and earlier and 2) taxes assessed as of January 1, 2003, but are not due and payable until November 20, 2003. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighting 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The Town recognizes age-based fee as revenue when the County collects it.