

TOWN OF FAYETTE, UTAH

GENERAL PURPOSE FINANCIAL STATEMENTS  
WITH ACCOUNTANT'S COMPILATION REPORT

YEAR ENDED JUNE 30, 2003

TOWN OF FAYETTE, UTAH  
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YEAR ENDED JUNE 30, 2003

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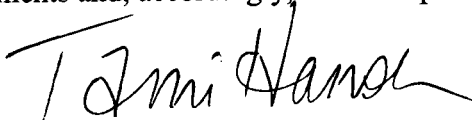
**ACCOUNTANT'S COMPILATION REPORT**

November 25, 2003

Mayor and Town Council  
Town of Fayette  
Fayette, UT 84630

I have compiled the accompanying general purpose financial statements for the Town of Fayette, Utah, as 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. 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.



Tami Hansen, CPA

**TOWN OF FAYETTE, UTAH**  
**COMBINED BALANCE SHEET -- ALL FUND TYPES AND ACCOUNT GROUPS**  
**YEAR ENDED JUNE 30, 2003**

	Governmental	Proprietary	Account Group	Totals
	Fund Type	Fund Type	General Fixed Assets	(Memorandum Only)
	General	Water		
<b>ASSETS</b>				
Cash and Equivalents	\$ 65,451	-	\$ -	\$ 65,451
Accounts Receivable	-	1,824	-	1,824
Due From Other Funds	46,480	-	-	46,480
Fixed Assets (Net, where applicable, of Accumulated Depreciation):				
Machinery and Equipment	-	-	5,177	5,177
Buildings	-	-	135,405	135,405
Improvements Other than Buildings	-	-	2,100	2,100
Furniture and Fixtures	-	-	9,144	9,144
<b>TOTAL ASSETS</b>	<b>\$ 111,931</b>	<b>\$ 1,824</b>	<b>\$ 151,826</b>	<b>\$ 265,581</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<u>Liabilities</u>				
Dues to Other Funds	\$ -	\$ 46,480	\$ -	\$ 46,480
Bonds Payable	-	176,000	-	176,000
Total Liabilities	-	222,480	-	222,480
<u>Fund Equity</u>				
Investment on General Fixed Assets	-	-	151,826	151,826
Contributed Capital	-	300,000	-	300,000
Fund Balance -- Unrestricted	111,931	-	-	111,931
Retained Earnings -- Unrestricted	-	36,465	-	36,465
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 111,931</b>	<b>\$ 558,945</b>	<b>\$ 151,826</b>	<b>\$ 822,702</b>

See accompanying notes and the Accountant's Compilation Report.

**TOWN OF FAYETTE, UTAH**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE -- ALL GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2003**

	General Fund	
REVENUES:		
Taxes	\$ 18,129	
Charges for Service	8,965	
Intergovernmental	11,506	
Interest Income	522	
Miscellaneous Revenue	34	
TOTAL REVENUES	\$ 39,156	
EXPENDITURES:		
General Government:		
Administration	23,506	
Capital Outlay	10	
Total General Government	23,516	
Highways and Streets:		
Repairs and Maintenance	6,622	
Total Highways and Streets	6,622	
Community and Economic Development		597
Cemetery		1,229
Public Safety		1,320
Recreation		411
TOTAL EXPENDITURES		33,695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		5,461
FUND BALANCE, JULY 1, 2002		106,470
FUND BALANCE, JUNE 30, 2003		\$ 111,931

**TOWN OF FAYETTE, UTAH**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN RETAINED EARNINGS -- ALL PROPRIETARY FUND TYPES**  
**YEAR ENDED JUNE 30, 2003**

	Enterprise Fund	
OPERATING REVENUES:		
Charges for Service	\$ 26,230	
Connection Fees	1,000	
Miscellaneous Revenue	-	
TOTAL OPERATING REVENUES	\$ 27,230	\$ 27,230
OPERATING EXPENSES:		
Administration	415	
Professional Services	868	
Labor	588	
Materials and Supplies	991	
Depreciation	13,206	
Contract labor	225	
Other	-	
TOTAL OPERATING EXPENSES	16,293	16,293
NON-OPERATING REVENUES (EXPENSES):		
Interest Expense	(4,195)	
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,195)	(4,195)
NET INCOME		6,742
RETAINED EARNINGS, JULY 1, 2002		29,723
RETAINED EARNINGS, JUNE 30, 2003		\$ 36,465

**TOWN OF FAYETTE, UTAH  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 YEAR ENDED JUNE 30, 2003**

	Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	6,742	
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	13,206	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		19,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond Payments	(8,000)	
Interest Paid on Debt	(4,378)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(12,378)
CASH FLOWS FROM INVESTING ACTIVITIES:		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH		7,570
CASH AT JULY 1, 2002		5,550
CASH AT JUNE 30, 2003		\$ 13,120

TOWN OF FAYETTE, UTAH  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Fayette is a political subdivision of the State of Utah. The Town is governed by a mayor and elected board of four council members. The financial statements of the Town of Fayette include those of separately administered organizations that are controlled by or are dependent on the Town. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the Town's financial statements.

The accounting policies of the Town of Fayette, Utah, conform to generally accepted accounting principles as applicable to governmental units.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the 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. Governmental resources are allocated to and accounted for in individual funds based upon the activities for which they are to be spent and the means by which spending activities are controlled.

The Town has the following fund types and account groups:

**Governmental funds** are used to account for general Town activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they are "measurable and available". "Measurable" means the amount of transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the end of the year. Expenditures are recorded when the related

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the Town are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Sanpete County prior to the commencement of the fiscal year. 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 of each year. Property taxes are collected by the Sanpete County Treasurer and remitted to the Town shortly after collection.

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

Governmental funds used by the Town of Fayette include the general fund and the capital improvements fund. The *general fund* is the general operating fund of the Town. It is used for all financial resources except those required to be accounted for in another fund. The *capital improvements fund* is used to account for funds specifically earmarked to make improvements to the Town as approved by the Town Council.

***Proprietary funds*** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. The proprietary fund used by the Town of Fayette is the enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of which is to have the costs of providing goods and services to the general public on a continuing basis financed or recovered primarily through user charges. The Town maintains one enterprise fund: the water fund.

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*Account groups* are used to account for fixed assets and general long-term debt not accounted for in governmental, proprietary, or trust funds. The Town of Fayette uses the *general fixed asset account group* to account for its fixed assets not accounted for in the water fund.

Assets, Liabilities, and Equity

**Deposits and Investments** – The Town considers cash and cash equivalents to be cash on hand, demand deposits, and all short-term investments with original maturities within three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on deposits and investments balances. All investments are stated at cost or amortized cost.

**Fixed Assets** – The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

Fixed assets used in governmental fund types are recorded in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. No depreciation has been provided on general fixed assets.

Fixed assets used in proprietary fund type operation are accounted for within the respective fund. Annual depreciation will be computed in future years using the straight-line method over the following estimated useful lives:

Improvements Other than Buildings	25-50 Years
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Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets acquired through a capital lease are recorded at the fair market value at the lease inception date. Public domain general fixed assets or infrastructure are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

**Fund Equity** – Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

**Memorandum Only – Total Columns** – Total columns on combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

in these columns is not intended to and does 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.

**Trade Accounts Receivable** – For the year ended June 30, 2003, no allowance for doubtful accounts has been recorded on the books of the Town's enterprise fund.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Budgetary procedures for the Town have been established by the Utah State statute in the Fiscal Procedures Act for Utah Cities. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. In accordance with State law, all appropriations lapse at the end of the budget year. Accordingly, no encumbrances are recorded. At its option, the Town may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.

The Town prepares a budget for each fund including the operations of the enterprise fund.

Under Utah Code, the Town's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the Code for certain events.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP**

Cash and Investments

The Town maintains its cash and investments in checking accounts and Certificates of Deposit with a local bank, and in the Public Treasurers' Investment Fund maintained by the Utah State Treasurer. No other cash or investments were held by the Town at June 30, 2003, or any time during the fiscal year then ended. The Town's book value of deposits totaled \$6,717 with Gunnison Valley Bank, which was completely covered by Federal Depository Insurance.

The Town's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured or unregistered investments for which the securities are held by

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

the broker's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust departments or agency, but not in the Town's name. At June 30, 2003, the Town's investments balances were as follows:

	Category and Balance			Carrying Amount & Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments:				
Certificates of Deposit	\$12,109	\$	\$	\$12,109
Investments not subject to categorization:				
Public Treasurers' Investment Fund				<u>62,299</u>
 Total Investments				 <u>\$74,408</u>

The Utah Public Treasurers' Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. UPTIF is not registered with the SEC as an investment company. UPTIF is authorized and regulated by the Utah Money Management Act. The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the UPTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The UPTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the UPTIF are allocated to participants on the ratio of the participant's average daily balance.

Reconciliation of Deposits and Investments note to the Combined Balance Sheet is as follows:

Total Investments	\$74,408
Book Value of Bank Deposits	<u>6,717</u>
 Total Cash and Investments	 <u>\$81,125</u>

General Fixed Assets

Changes in the General Fixed Assets Account Group for the year ended June 30, 2003, were as follows:

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	<u>07/01/02</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/03</u>
Machinery & Equipment	\$ 5,177	\$	\$	\$ 5,177
Buildings	135,405			135,405
Improvements Other than Bldgs.	2,100			2,100
Furniture and Fixtures	<u>9,144</u>	—	—	<u>9,144</u>
Total	<u>\$151,826</u>	<u>\$0</u>	<u>\$0</u>	<u>\$151,826</u>

Enterprise Fund Fixed Assets

Fixed assets for the Enterprise Fund (Water) as of June 30, 2003, are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Improvements Other than Bldgs.	<u>\$594,271</u>	<u>\$52,824</u>	<u>\$541,447</u>

Long-Term Debt

Enterprise Fund revenue bonds payable at June 30, 2003 were as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance</u>
Water Revenue Bonds, Series 1999 (Original Amount \$200,000)	2.28%	2020	<u>\$176,000</u>

The Town's debt consists of water revenue bonds, which constitute special obligations of the Town, solely secured by a lien on the pledge of the net revenues of the water system. The bond ordinance for the water revenue bonds provides for the establishment of certain accounts and reserves, and further provides that all revenues of the water system are to be used initially for payment of operation and maintenance costs of the system, principal and interest on the bonds and notes, and establishment of certain defined debt repayment reserves.

The annual requirements to amortize all bonded debt outstanding as of June 30, 2003, including interest are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,000	\$ 4,013
2005	9,000	3,808

**TOWN OF FAYETTE, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

2006	9,000	3,602
2007	9,000	3,397
2008-2012	49,000	13,771
2013-2017	55,000	7,957
2018-2020	<u>36,000</u>	<u>1,642</u>
Total	<u>\$176,000</u>	<u>\$ 38,190</u>

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; injuries to employees; and natural disasters. The Town has purchased insurance policies through various companies.

Contributed Capital

The changes in contributed capital in the water proprietary fund were as follows:

Beginning Balance	\$300,000
Contributions from:	
Other Funds	-0-
Governmental Entities	<u>-0-</u>
Ending Balance	<u>\$300,000</u>