

**CITY OF MONA, UTAH
GENERAL PURPOSE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2002**

CITY OF MONA, UTAH
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INDEPENDENT AUDITOR'S REPORT

August 20, 2002

The Honorable Mayor
Members of the City Council
City of Mona, Utah

Council Members:

I have audited the accompanying general purpose financial statements of Mona City, Utah as of June 30, 2002, and for the year then ended. These general purpose financial statements are the responsibility of Mona City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the aforementioned general purpose financial statements present fairly, in all material respects, the financial position of Mona City, Utah at June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 20, 2002 on my consideration of Mona City Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Mona City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.


Greg Ogden,
Certified Public Accountant

CITY OF MONA, UTAH
COMBINED BALANCE SHEET--
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	GOVERNMENTAL	PROPRIETARY	FIDUCIARY	ACCOUNT	Totals	
	FUND TYPE	FUND TYPE	FUND TYPE	GROUP	(Memorandum Only)	
	General	Enterprise	Non-Expendable Trust	General Fixed Assets	2002	2001
ASSETS						
Pooled Cash and Cash Equivalents	\$ 8,110	\$ 145,942	\$	\$	\$ 154,052	\$ 186,584
Cash Restricted for Bond Requirements		38,968			38,968	39,226
Class "C" Roads	52,596				52,596	65,846
Endowments			8,486		8,486	8,136
Accounts Receivable	27,648	33,184			60,832	36,687
Taxes Receivable	20,627				20,627	
Property and Equipment						
Land		1,780		3,538	5,318	5,318
Water Shares and Rights		227,550			227,550	227,550
Buildings				85,411	85,411	85,411
Improvements Other Than Buildings		1,843,152		54,950	1,898,102	1,773,102
Machinery and Equipment		8,698		54,417	63,115	83,186
Automobiles and Trucks				15,040	15,040	148,740
Construction in Progress						
Accumulated Depreciation		(390,738)			(390,738)	(354,656)
Amount to be Provided for Long-Term Debt						
TOTAL ASSETS	\$ 108,981	\$1,908,536	\$ 8,486	\$ 213,356	\$2,239,359	\$2,305,130
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
LIABILITIES						
Liability for Deficit in Pooled Cash	\$	\$	\$	\$	\$	\$ 11,970
Accounts Payable	7,160	11,070			18,230	33,689
Sales Tax Payable		1,780			1,780	1,466
Accrued Interest Payable		20,710			20,710	21,520
Customer Utility Deposits		435			435	435
Deferred Revenue	19,979				19,979	
Current Portion of Long-Term Debt		57,750			57,750	53,000
Notes Payable		71,250			71,250	
Bonds Payable		1,111,133			1,111,133	1,159,799
TOTAL LIABILITIES	27,139	1,274,128			1,301,267	1,281,879
FUND EQUITY AND OTHER CREDITS						
Contributed Capital		1,640			1,640	1,640
Investment in General Fixed Assets				213,356	213,356	367,127
Fund Balances						
Reserved for Class "C" Roads	57,659				57,659	74,644
Unreserved	24,183				24,183	(11,159)
Retained Earnings						
Reserved for Bond Requirements		38,968			38,938	39,226
Endowments			8,486		8,486	8,136
Unreserved		593,800			593,800	543,637
TOTAL FUND EQUITY AND OTHER CREDITS	81,842	634,408	8,486	213,356	938,092	1,023,251
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 108,981	\$1,908,536	\$ 8,486	\$ 213,356	\$2,239,359	\$2,305,130

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND
BALANCE--ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2002

	Totals (Memorandum Only)	
	<u>2002</u>	<u>2001</u>
<u>REVENUES</u>		
Taxes	\$ 90,448	\$ 89,750
Licenses and Permits	25,970	14,428
Intergovernmental	47,232	77,624
Charges for Services	55,143	50,977
Interest	5,672	12,557
Miscellaneous	<u>9,647</u>	<u>314</u>
TOTAL REVENUES	<u>234,112</u>	<u>245,650</u>
<u>EXPENDITURES</u>		
Administrative	68,377	83,025
Public Safety	13,992	67,786
Garbage Collection	51,915	44,009
Highways and Public Improvements	61,500	10,365
Community and Economic Development		477
Parks, Recreation and Public Property	<u>19,971</u>	<u>21,293</u>
TOTAL EXPENDITURES	<u>215,755</u>	<u>226,955</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,357	18,695
<u>OTHER FINANCING SOURCES</u>		
Transfer from Other Fund	<u> </u>	<u>20,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	18,357	38,695
FUND BALANCE - JULY 1	<u>63,485</u>	<u>24,790</u>
FUND BALANCE - JUNE 30	<u>\$ 81,842</u>	<u>\$ 63,485</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL--
ALL GOVERNMENTAL FUND TYPES REQUIRING BUDGETS
YEAR ENDED JUNE 30, 2002

	<u>GENERAL FUND</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Taxes	\$ 99,750	\$ 90,448	\$ (9,302)
Licenses and Permits	17,300	25,970	8,670
Intergovernmental	61,200	47,232	(13,968)
Charges for Services	51,000	55,143	4,143
Interest	4,000	5,672	1,672
Miscellaneous	<u> </u>	<u>9,647</u>	<u>9,647</u>
TOTAL REVENUES	<u>233,250</u>	<u>234,112</u>	<u>862</u>
<u>EXPENDITURES</u>			
Administrative	69,500	68,377	1,123
Public Safety	14,700	13,992	708
Garbage Collection	50,000	51,915	(1,915)
Highways and Public Improvements	61,500	61,500	
Community and Economic Development	2,000		2,000
Parks, Recreation and Public Property	<u>20,000</u>	<u>19,971</u>	<u>29</u>
TOTAL EXPENDITURES	<u>217,700</u>	<u>215,755</u>	<u>1,945</u>
EXCESS OF REVENUES OVER EXPENDITURES	15,550	18,357	2,807
FUND BALANCE - JULY 1	<u>63,485</u>	<u>63,485</u>	
FUND BALANCE - JUNE 30	<u>\$ 79,035</u>	<u>\$ 81,842</u>	<u>\$ 2,807</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS--ALL PROPRIETARY
FUND TYPES AND NON-EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2002

	Enterprise	Non- Expendable Trust	Total (Memorandum Only)	
			2002	2001
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 263,879	\$ 350	\$ 264,229	\$ 240,905
Miscellaneous	<u>17,117</u>	<u> </u>	<u>17,117</u>	<u>29,542</u>
TOTAL OPERATING REVENUES	<u>280,996</u>	<u>350</u>	<u>281,346</u>	<u>270,447</u>
<u>OPERATING EXPENSES</u>				
Salaries and Wages	8,239		8,239	10,409
Materials and Supplies	21,198		21,198	17,014
Professional Services	28,912		28,912	40,141
Maintenance and Repairs				10,278
Water Costs	15,672		15,672	16,838
Natural Gas Purchases	108,220		108,220	97,482
Depreciation	<u>36,082</u>	<u> </u>	<u>36,082</u>	<u>25,459</u>
TOTAL OPERATING EXPENSES	<u>218,323</u>	<u> </u>	<u>218,323</u>	<u>217,621</u>
OPERATING INCOME	62,673	350	63,023	52,826
<u>NON-OPERATING REVENUES</u>				
<u>(EXPENSES)</u>				
Impact Fees	55,904		55,904	36,174
Interest Income	117		117	1,554
Transfer to Other Fund				(20,000)
Interest Expense	<u>(68,789)</u>	<u> </u>	<u>(68,789)</u>	<u>(55,864)</u>
NET INCOME	49,905	350	50,255	14,690
RETAINED EARNINGS JULY 1,	<u>582,863</u>	<u>8,136</u>	<u>590,999</u>	<u>576,309</u>
RETAINED EARNINGS JUNE 30,	<u>\$ 632,768</u>	<u>\$ 8,486</u>	<u>\$ 641,254</u>	<u>\$ 590,999</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF CASH FLOWS--
ALL PROPRIETARY FUND TYPES AND
NON-EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2002

	Enterprise	Non-Expendable Trust	Total (Memorandum Only)	
			2002	2001
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income	\$ 62,673	\$ 350	\$ 63,023	\$ 52,826
Non-Cash Revenue and Expense Adjustments				
Depreciation Expense	36,082		36,082	25,459
Decrease (Increase) in Accounts Receivable	(10,777)		(10,777)	(2,970)
Increase (Decrease) in Accounts Payable	(17,948)		(17,948)	25,876
Sales Tax Payable	314		314	827
Accrued Interest Payable	(810)		(810)	(353)
Customer Utility Deposits				(135)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>69,534</u>	<u>350</u>	<u>69,884</u>	<u>101,530</u>
<u>CASH FLOWS FROM NON-CAPITAL ACTIVITIES</u>				
Transfers to Other Fund				(20,000)
NET CASH FLOWS FROM NON-CAPITAL ACTIVITIES				<u>(20,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from Bonds Payable	125,000		125,000	100,000
Impact Fees	55,904		55,904	36,174
Acquisition of Property and Equipment	(125,000)		(125,000)	(267,097)
Bond Principal Payments	(97,666)		(97,666)	(23,968)
Interest Expense	(68,789)		(68,789)	(55,864)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(110,551)</u>		<u>(110,551)</u>	<u>(210,755)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Income	117		117	1,554
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>117</u>		<u>117</u>	<u>1,554</u>
NET INCREASE (DECREASE) IN CASH	(40,900)	350	(40,550)	(127,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>225,810</u>	<u>8,136</u>	<u>233,946</u>	<u>361,617</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 184,910</u>	<u>\$ 8,486</u>	<u>\$ 193,396</u>	<u>\$ 233,946</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

History and Organization

Mona was first settled in 1852 and was founded as a City in 1859. Mona was incorporated in about 1924. The City has an elected mayor and four elected council members. The City Clerk and the City Treasurer are appointed.

The accounting policies of Mona City, Utah conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant of such policies.

The Reporting Entity

The City has 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 City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Using these criteria, no potential component units are included in the City's financial statements.

Fund Accounting

The accounts of the City 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 various funds are grouped in the financial statements in this report, into three broad fund categories and three generic fund types as follows:

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

Enterprise Fund--An Enterprise Fund is 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 and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City 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.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

FIDUCIARY FUNDS

Trust Funds--Trust Funds are used to account for assets held by the City in a trustee capacity.

The City has one Trust Fund, the Cemetery Perpetual Care Fund, which is a non-expendable trust fund. It is accounted for in essentially the same manner as enterprise funds.

GENERAL FIXED ASSET ACCOUNT GROUP

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for on a spending or financial flow measurement focus.

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 fixed assets (i.e., roads, bridges, curbs and gutters, streets, drainage systems and lighting systems) are not capitalized. 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. Cost of assets acquired through a capital lease is the fair market value at the lease inception date.

PROPRIETARY FUND FIXED ASSETS

Property and equipment used in proprietary fund type operations (i.e., the water and electric) are accounted for within the funds. The amount of such assets reported in the accompanying financial statements is based on historical cost or estimated historical cost if actual historical cost of identifiable assets used by the fund is not available. Annual depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

The estimated useful lives are as follows:

Buildings	25-50 Years
Improvements other than Buildings	25-50 Years
Machinery and Equipment	3- 8 Years
Automobiles and Trucks	3- 8 Years

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities of proprietary funds are accounted for within the respective funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 on a spending or "current financial resources" measurement focus using the modified accrual method of accounting. Modifications to the accrual method of accounting for government fund types are as follows:

Revenues are recorded as the cash is received, except for (a) revenues susceptible to accrual, i.e., measurable and available, (b) material revenues that have not been received at the normal time; and (c) revenues received prior to the period of benefit. Revenues considered to be susceptible to accrual are taxes, interest, and intergovernmental revenue. Determination of when revenue is recognized is as follows:

When property taxes are levied they are measurable. They become available when they are due as long as they are received by the City soon enough to pay liabilities of the current period (not over 60 days after year end). Amounts that are measurable but not available are recorded as deferred revenue.

Sales taxes, use taxes, and franchise taxes are considered measurable when accrued in the records of the intermediary collecting the tax. They become available if received by the City soon enough to pay liabilities of the current period.

Intergovernmental revenues (grant entitlements and shared revenues, etc.) are considered susceptible to accrual if received by the City soon enough to pay liabilities of the current period, with the following exception; the unexpended portion of certain grants is recorded as deferred revenue until expended when verification of expenditures is the prime factor in determining eligibility.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (a) long-term portion of accumulated unpaid vacation and sick pay and (b) principal and interest on general long-term debt which is recognized when due.

Other financing sources and uses are used to account for operating transfers between funds and proceeds of long-term debt issuance.

Proprietary Fund Types are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred following the "economic resources" measurement focus. Therefore, the financial statements of these City fund types are prepared in a manner similar to a private business enterprise.

Budgetary Policy

Budgetary procedures for the City have been established by Utah State Statute in the Fiscal Procedures Act for Utah Cities (the Act). 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 City 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.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Annual budgets are prepared and adopted in accordance with State law by the City Council on or before June 30, for the following fiscal year, beginning July 1. Budgets may be increased by resolution of the City Council at any time during the year, provided a public hearing has been held regarding any proposed increase. Budgets are adopted at sub-department levels. However, budget amendments are required only when excess expenditures occur at the departmental level.

The City prepares a budget for each fund including the operation of the Enterprise Funds.

Under Utah Code, the City'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.

Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data 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.

Cash and Cash Equivalents

The City'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 day of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances. Each fund's portion of the pool is shown on its respective balance sheet as "pooled cash and cash equivalents".

Investments

Investments include certificates of deposit held in the City of Mona's name by the City of Mona through Far West Bank and deposits in the Utah Public Treasurer's Investment Fund. The investments in the Utah Public Treasurer's Investment Fund include bond escrows held in Mona City's name by the State Treasurer and administered by Wells Fargo Bank. The fair value of these investments approximated cost at June 30, 2002.

Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. Property taxes are assessed and collected by the Juab County Treasurer and remitted to the City 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 of each year. The tax revenues for the fiscal year ended June 30, 2002 are based on the assessed values and tax revenues established in 2001.

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

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity

Reservations of fund equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party and statutory restrictions. Designations of fund equity represent amounts that the City Council have set aside.

Estimates and Assumptions

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 financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from estimates.

2. **CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements 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 depositing of City 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 Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

Cash

At June 30, 2002, the carrying amount and the bank balance of the City's deposits was \$66,258 and \$75,630 respectively. These deposits were entirely covered by federal depository insurance. The total invested in the Utah Public Treasurer's Investment fund at June 30, 2002 was \$187,844.

The Utah Public Treasurer's 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. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment money market funds.

3. PROPERTY AND EQUIPMENT

The following is a summary of the fixed assets and accumulated depreciation of the enterprise funds at June 30, 2002:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 1,780	\$	\$	\$ 1,780
Water Shares and Rights	227,550			227,550
Improvements Other than Buildings	1,718,152	125,000		1,843,152
Machinery and Equipment	8,698			8,698
Accumulated Depreciation	<u>(354,656)</u>	<u>(36,082)</u>		<u>(390,738)</u>
	<u>\$1,601,524</u>	<u>\$ 88,918</u>	<u>\$</u>	<u>\$1,690,442</u>

A summary of changes in General Fixed Assets is as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 3,538	\$	\$	\$ 3,538
Buildings	85,411			85,411
Improvements Other than Buildings	54,950			54,950
Machinery and Equipment	74,488		20,071	54,417
Automobiles and Trucks	<u>148,740</u>		<u>133,700</u>	<u>15,040</u>
	<u>\$ 367,127</u>	<u>\$</u>	<u>\$ 153,771</u>	<u>\$ 213,356</u>

4. LONG-TERM DEBT

BONDS AND NOTES PAYABLE

Bonds outstanding at June 30, 2002 were as follows:

	Interest Rate	Maturity Date	Balance
Water Revenue Bonds, dated January 1, 2000, (Original Amount--\$786,000)	4.21%	2025	\$ 768,000
Note payable to Mona Irrigation (Original Amount--\$125,000)	0.0%	2022	75,000
Natural Gas Utility Revenue Project Bonds, dated May 1, 1991, (Original Amount--\$305,000)	7.0% to 8.0%	2005	120,000
Natural Gas General Obligation Refunding Bonds, dated December 23, 1997, (Original Amount--\$340,000)	5.15% to 5.55%	2011	<u>320,000</u>
Total Bonds and Notes Payable			1,283,000
Less:			10,855
Unamortized Costs of Issuance			32,012
Unamortized Deferred Amount on Refunding Current Portion of Bonds and Notes Payable			<u>57,750</u>
Long-Term Portion of Bonds and Notes Payable, Net of Unamortized Costs of Issuance on Deferred Amount on Refunding			<u>\$1,182,383</u>

4. **LONG-TERM DEBT (CONTINUED)**

The water revenue bonds are payable only from the net revenues of the water system, as defined in the bond ordinances.

Year Ending June 30	Revenue Bonds and Notes	General Obligation Bonds	Total
2003	\$ 94,587	\$ 22,757	\$ 117,344
2004	97,448	22,483	119,931
2005	114,841	33,205	148,046
2006	55,557	61,317	116,874
2007	55,631	58,820	114,451
2008-2025	<u>1,032,600</u>	<u>233,137</u>	<u>1,265,737</u>
Total Commitment	1,450,664	431,719	1,882,383
Less Interest Portion	487,664	111,719	599,383
Less Current Portion	52,750	5,000	57,750
Less Unamortized Bond Costs		10,855	10,855
Less Deferred Amount on Refunding		<u>32,012</u>	<u>32,012</u>
Long-Term Portion	<u>\$ 910,250</u>	<u>\$ 272,133</u>	<u>\$ 1,182,383</u>

In prior years, the City defeased Natural Gas General Obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. On June 30, 2002, \$295,000 of bonds outstanding are considered defeased.

5. **RISK MANAGEMENT**

Mona City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover these risks at a cost it considers to be economically justifiable. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to UGLT for its general insurance coverage.

The City also carries errors and omissions liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

6. **RELATED PARTY TRANSACTIONS**

The City's secretary is the daughter of the Mayor. She was paid wages during the 2002 fiscal year. One Council member's parents are the Treasurer and the Cemetery Sexton/Park Superintendent.

7. **AREA OF NON COMPLIANCE**

The budget for 2002 was overspent in one department, but not in total.



SUPPLEMENTARY INFORMATION

CITY OF MONA, UTAH
COMBINING BALANCE SHEET--ENTERPRISE FUNDS
JUNE 30, 2002

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
ASSETS			
Pooled Cash and Cash Equivalents	\$ 113,009	\$ 32,933	\$ 145,942
Cash Restricted for Bond Requirements	8,149	30,819	38,968
Accounts Receivable	10,545	22,639	33,184
Property and Equipment			
Land	1,780		1,780
Water Shares and Rights	227,550		227,550
Improvements Other Than Buildings	1,299,525	543,627	1,843,152
Machinery and Equipment		8,698	8,698
Accumulated Depreciation	<u>(271,808)</u>	<u>(118,930)</u>	<u>(390,738)</u>
TOTAL ASSETS	<u>\$1,388,750</u>	<u>\$ 519,786</u>	<u>\$1,908,536</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$	\$ 11,070	\$ 11,070
Sales Tax Payable		1,780	1,780
Accrued Interest Payable	16,166	4,544	20,710
Customer Utility Deposits	135	300	435
Current Portion of Long-Term Debt	22,750	35,000	57,750
Notes Payable	71,250		71,250
Bonds Payable	<u>749,000</u>	<u>362,133</u>	<u>1,111,133</u>
TOTAL LIABILITIES	<u>859,301</u>	<u>414,827</u>	<u>1,274,128</u>
FUND EQUITY			
Contributed Capital	1,640		1,640
Retained Earnings			
Reserved for Bond Requirements	8,149	30,819	38,968
Unreserved	<u>519,660</u>	<u>74,140</u>	<u>593,800</u>
TOTAL FUND EQUITY	<u>529,449</u>	<u>104,959</u>	<u>634,408</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,388,750</u>	<u>\$ 519,786</u>	<u>\$1,908,536</u>

CITY OF MONA, UTAH

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS--ENTERPRISE FUNDS YEAR ENDED JUNE 30, 2002

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 79,516	\$ 184,363	\$ 263,879
Miscellaneous	<u>1,571</u>	<u>15,546</u>	<u>17,117</u>
TOTAL OPERATING REVENUES	<u>81,087</u>	<u>199,909</u>	<u>280,996</u>
<u>OPERATING EXPENSES</u>			
Salaries and Wages	3,957	4,282	8,239
Material and Supplies	17,710	3,488	21,198
Professional Services	15,282	13,630	28,912
Water Costs	15,672		15,672
Natural Gas Purchases		108,220	108,220
Depreciation	<u>24,741</u>	<u>11,341</u>	<u>36,082</u>
TOTAL OPERATING EXPENSES	<u>77,362</u>	<u>140,961</u>	<u>218,323</u>
OPERATING INCOME	3,725	58,948	62,673
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Impact Fees	55,904		55,904
Interest Income		117	117
Interest Expense	<u>(32,712)</u>	<u>(36,077)</u>	<u>(68,789)</u>
NET INCOME	26,917	22,988	49,905
RETAINED EARNINGS JULY 1, 2001	<u>500,892</u>	<u>81,971</u>	<u>582,863</u>
RETAINED EARNINGS JUNE 30, 2002	<u>\$ 527,809</u>	<u>\$ 104,959</u>	<u>\$ 632,768</u>

CITY OF MONA, UTAH
COMBINING STATEMENT OF CASH FLOWS--
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2002

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 3,725	\$ 58,948	\$ 62,673
Non-Cash Revenue and Expense Adjustments			
Depreciation Expense	24,741	11,341	36,082
Decrease (Increase) in Accounts Receivable	(2,872)	(7,905)	(10,777)
Increase (Decrease) in Accounts Payable		(17,948)	(17,948)
Sales Tax Payable		314	314
Accrued Interest Payable	(380)	(430)	(810)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>25,214</u>	<u>44,320</u>	<u>69,534</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from Bonds Payable	125,000		125,000
Impact Fees	55,904		55,904
Acquisition of Property and Equipment	(125,000)		(125,000)
Bond Principal Payments	(68,000)	(29,666)	(97,666)
Interest Expense	(32,712)	(36,077)	(68,789)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(44,808)</u>	<u>(65,743)</u>	<u>(110,551)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income		117	117
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>117</u>	<u>117</u>
NET INCREASE (DECREASE) IN CASH	(19,594)	(21,306)	(40,900)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>140,752</u>	<u>85,058</u>	<u>225,810</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 121,158</u>	<u>\$ 63,752</u>	<u>\$ 184,910</u>



STATE COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

August 20, 2002

**The Honorable Mayor
Members of the City Council
City of Mona, Utah**

Council Members:

I have audited the general purpose financial statements of the City of Mona, Utah, for the year ended June 30, 2002 and have issued my report thereon dated August 20, 2002. As part of my audit, I have audited the City of Mona's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2002. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations**

**Class C Road Funds
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees**

The management of the City of Mona is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the City of Mona, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2002.


Greg Ogden,
Certified Public Accountant



GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 20, 2002

Honorable Mayor
Members of the City Council
City of Mona, Utah

Council Members:

I have audited the general purpose financial statements of the City of Mona, Utah, as of and for the year ended June 30, 2002, and have issued my report thereon dated August 20, 2002. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

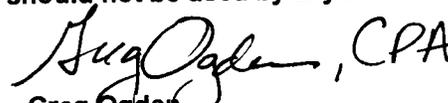
Compliance

As part of obtaining reasonable assurance about whether the City of Mona, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Mona, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving internal control over financial reporting that I have reported to management in a separate letter dated August 20, 2002.

This report is intended for the information of the City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant

CITY OF MONA

MANAGEMENT LETTER

JUNE 30, 2002

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

August 20, 2002

The Honorable Mayor
Members of the City Council
City of Mona, Utah

Council Members:

The primary purpose of my audit of the general purpose financial statements of the City of Mona, Utah for the year ended June 30, 2002, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your general purpose financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the general purpose financial statements. I have not performed any auditing procedures beyond the date of my opinion on the general purpose financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the general purpose financial statements for the year ended June 30, 2002. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of the City of Mona. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDING - EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2002, the budget was exceeded in the garbage department.

RECOMMENDATION

I recommend that the budget be reviewed throughout the year and followed closely. It is the City's legal spending limit. If year-end amendments are required to the budget, I recommend that State budgeting requirements be followed to implement the changes.

RESPONSE - MONA CITY

We will carefully review all of the City budgets at least once per quarter. If amendments are necessary to the budget, we will open and amend the budget. If a public hearing is required to increase the budget, we will hold the hearing.

FINDING - MILEAGE REIMBURSEMENT

In my examination of your mileage reimbursement forms I noticed several trips to meetings of the legislature and to other classes and discussions. I did not find approval for these trips in your minutes. I also noted several trips which may have been eliminated with a phone call or by using the mail.

RECOMMENDATION

A short trip to Provo is about 80 miles. At the current Internal Revenue Service rate of \$.365 per mile such a trip would cost \$29.50. Phone or postage costs would obviously be much cheaper. I also recommend that longer trips, such as those to Salt Lake, be planned and approved in advance by the Council. The entire Council may want to review the mileage reimbursement requests to ensure that all trips are approved.

RESPONSE - MONA CITY

We have discussed this issue in the past. We will try to ensure that all trips are approved in advance. We will try to get people who work in Provo and Nephi to run some of these errands for free. We will also consider times when it will be cheaper to use the phone or mail.

FINDING - NOT ALL CHECKS SIGNED BY THE TREASURER

Section 10-6-143 of the Utah Code requires the treasurer to ensure that a sufficient amount is on deposit in the appropriate bank account prior to any check being signed. The Treasurer did not sign every check issued by the City during the year.

RECOMMENDATION

The Treasurer should sign each check of the City as proof that the above test has been performed.

RESPONSE - MONA CITY

We will ensure that the Treasurer signs each check.

FINDING - HAND WRITTEN CHECKBOOK USE

The Town has a checkbook for handwritten checks. It appears that this checkbook is frequently used between council meetings for a variety of expenditures.

RECOMMENDATION

Handwritten checks should be rare. The City Council has the authority to approve City expenditures. They should be allowed the opportunity to review and approve all expenditures. Now that the Council meets twice monthly, it should be easy to pre-approve almost all expenditures.

RESPONSE - MONA CITY

We have tried to minimize our use of these checks. We will try to have all possible expenses approved by the Council prior to issuing checks.

FINDING - NO PURCHASING POLICY MANUAL

All governments are required to adopt purchasing policies. The City is then required to enforce the policies adopted.

RECOMMENDATION

The City may want to consider adopting the state purchasing policy for small cities and towns. I recommend you then create a written manual describing those policies.

RESPONSE - MONA TOWN

We will investigate the purchasing policy manual recommended. We will adopt the necessary policies and make a manual.

FINDING - PRESIGNED CHECK FOUND

During my audit, I noticed a check on the counter at the City office which was blank except for one signature. Cities are required to have two-signature checks. If anyone presigns a check, you revert to a one-signature check system.

RECOMMENDATION

I recommend that blank checks never be signed.

RESPONSE - MONA CITY

No blank checks will be signed in the future.

FINDING - MISSING INVOICES

During my testing of checks and expenses I noted that 10% of the checks tested did not have invoices supporting the expense.

RECOMMENDATION

invoices or other documentation should be saved to prove that each check written was for a valid City expense.

RESPONSE - MONA CITY

We will document each expense.

FINDING - MISSING SECOND SIGNATURE

During my testing of checks and expenses I noted that 5% of the checks tested did not have two signatures. The bank cashed the checks with only one signature. All checks written by the City are required to have two signatures.

RECOMMENDATION

I recommend extra care be taken this next year to ensure that all checks issued by the City contain two signatures. I also recommend contacting your bank to request that they tighten their controls to ensure that City checks with only one signature are refused and are not cashed.

RESPONSE - MONA CITY

We will ensure that each check has two signatures.

FINDING - MISSING 2001 AUDIT ADJUSTMENTS

Adjustments necessary to correct your financial statements as part of the 2001 audit were posted, but somehow were later deleted. This caused your financial statements to be incorrect for all of the 2002 fiscal year.

RECOMMENDATION

In order to preserve a proper audit trail, I recommend that adjusting entries never be deleted.

RESPONSE - MONA CITY

We will adopt a policy that no transactions be deleted from Quickbooks. Any changes will be made by an adjusting entry to provide an audit trail.

FINDING - TRAIL BALANCE CHANGED AFTER AUDIT WAS STARTED

Changes were made to the 2002 trial balance on the City's Quickbooks system after the year was closed.

RECOMMENDATION

To ensure that I am not auditing a moving target, no changes should be made to the trial balance being audited until the audit is finished. Any changes required will be made as part of the audit adjusting entries.

RESPONSE - MONA CITY

We will not make any changes prior to June 30 of the year being audited once the audit begins.