

**CITY OF MONA, UTAH  
GENERAL PURPOSE  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2003**

**CITY OF MONA, UTAH**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2003**

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|   | <u>Starting<br/>on Page</u> |
|---|-----------------------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | 1                           |
| <b>GENERAL PURPOSE FINANCIAL STATEMENTS</b>   |                             |
| <b>Combined Balance Sheet--All Fund Types<br/>    and Account Groups</b>  | 2                           |
| <b>Combined Statement of Revenues,<br/>    Expenditures, and Changes in Fund<br/>    Balance--All Governmental Fund Types</b>   | 3                           |
| <b>Combined Statement of Revenues, Expenditures,<br/>    and Changes in Fund Balance--Budget<br/>    and Actual--All Governmental Fund Types<br/>    Requiring Budgets</b>  | 4                           |
| <b>Combined Statement of Revenues, Expenses and<br/>    Changes in Retained Earnings--All Proprietary<br/>    Fund Types and Non-Expendable Trust Fund</b>  | 5                           |
| <b>Combined Statement of Cash Flows--All Proprietary<br/>    Fund Types and Non-Expendable Trust Fund</b>   | 6                           |
| <b>Notes to the Financial Statements</b>  | 7                           |
| <b>SUPPLEMENTARY INFORMATION</b>  |                             |
| <b>Combining Balance Sheet--Enterprise Funds</b>  | 14                          |
| <b>Combining Statement of Revenues, Expenses and<br/>    Changes in Retained Earnings--Enterprise Funds</b>   | 15                          |
| <b>Combining Statement of Cash Flows--Enterprise Funds</b>  | 16                          |
| <b>STATE COMPLIANCE REPORT</b>  |                             |
| <b>Independent Auditor's Report on Legal Compliance</b>   | 17                          |
| <b>GOVERNMENT AUDITING STANDARDS REPORT</b>   |                             |
| <b>Report on Compliance and on Internal Control<br/>    over Financial Reporting Based on an Audit<br/>    of General Purpose Financial Statements<br/>    Performed in Accordance with Government<br/>    Auditing Standards</b> | 19                          |

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

August 12, 2003

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, 2003, and for the year then ended, as listed in the table of contents. 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, 2003 and the results of its operations and the cash flows of its proprietary fund and non-expendable trust 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 12, 2003 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 statements 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, 2003**

|   | GOVERNMENTAL      | PROPRIETARY        | FIDUCIARY                   | ACCOUNT                    | Totals             |                    |
|---|-------------------|--------------------|-----------------------------|----------------------------|--------------------|--------------------|
|   | FUND TYPE         | FUND TYPE          | FUND TYPE                   | GROUP                      | (Memorandum Only)  |                    |
|   | General           | Enterprise         | Non-<br>Expendable<br>Trust | General<br>Fixed<br>Assets | 2003               | 2002               |
| <b>ASSETS</b>   |                   |                    |                             |                            |                    |                    |
| Pooled Cash and Cash Equivalents                        | \$ 53,719         | \$ 163,138         | \$                          | \$                         | \$ 216,857         | \$ 154,052         |
| Cash Restricted for Bond Requirements                   |                   | 72,339             |                             |                            | 72,339             | 38,968             |
| Class "C" Roads   | 68,512            |                    |                             |                            | 68,512             | 52,596             |
| Impact Fees   |                   | 59,497             |                             |                            | 59,497             |                    |
| Endowments  |                   |                    | 8,486                       |                            | 8,486              | 8,486              |
| Accounts Receivable                                     | 18,537            | 31,407             |                             |                            | 49,944             | 60,832             |
| Taxes Receivable  | 23,725            |                    |                             |                            | 23,725             | 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          |                             | 57,902                     | 1,901,054          | 1,898,102          |
| Machinery and Equipment                                 |                   | 8,698              |                             | 55,817                     | 64,515             | 63,115             |
| Automobiles and Trucks                                  |                   |                    |                             | 15,040                     | 15,040             | 15,040             |
| Construction in Progress                                |                   |                    |                             |                            |                    |                    |
| Accumulated Depreciation                                |                   | (427,995)          |                             |                            | (427,995)          | (390,738)          |
| Amount to be Provided for Long-Term Debt                |                   |                    |                             |                            |                    |                    |
| <b>TOTAL ASSETS</b>                                     | <b>\$ 164,493</b> | <b>\$1,979,566</b> | <b>\$ 8,486</b>             | <b>\$ 217,708</b>          | <b>\$2,370,253</b> | <b>\$2,239,359</b> |
| <b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>       |                   |                    |                             |                            |                    |                    |
| <b>LIABILITIES</b>                                      |                   |                    |                             |                            |                    |                    |
| Accounts Payable  | \$                | \$ 14,308          |                             |                            | 14,308             | 18,230             |
| Sales Tax Payable                                       |                   | 2,077              |                             |                            | 2,077              | 1,780              |
| Accrued Interest Payable                                |                   | 19,874             |                             |                            | 19,874             | 20,710             |
| Customer Utility Deposits                               | 8,150             | 435                |                             |                            | 8,585              | 435                |
| Deferred Revenue  | 22,904            |                    |                             |                            | 22,904             | 19,979             |
| Current Portion of Long-Term Debt                       |                   | 63,750             |                             |                            | 63,750             | 57,750             |
| Notes Payable   |                   | 67,500             |                             |                            | 67,500             | 71,250             |
| Bonds Payable   |                   | 1,056,767          |                             |                            | 1,056,767          | 1,111,133          |
| <b>TOTAL LIABILITIES</b>                                | <b>31,054</b>     | <b>1,224,711</b>   |                             |                            | <b>1,255,765</b>   | <b>1,301,267</b>   |
| <b>FUND EQUITY AND OTHER CREDITS</b>                    |                   |                    |                             |                            |                    |                    |
| Contributed Capital                                     |                   | 1,640              |                             |                            | 1,640              | 1,640              |
| Investment in General Fixed Assets                      |                   |                    |                             | 217,708                    | 217,708            | 213,356            |
| Fund Balances Reserved for Class "C" Roads              | 68,512            |                    |                             |                            | 68,512             | 57,659             |
| Unreserved  | 64,927            |                    |                             |                            | 64,927             | 24,183             |
| Retained Earnings                                       |                   |                    |                             |                            |                    |                    |
| Reserved for Bond Requirements                          |                   | 72,339             |                             |                            | 72,339             | 38,968             |
| Impact Fees   |                   | 34,577             |                             |                            | 34,577             |                    |
| Endowments  |                   |                    | 8,486                       |                            | 8,486              | 8,486              |
| Unreserved  |                   | 646,299            |                             |                            | 646,299            | 593,800            |
| <b>TOTAL FUND EQUITY AND OTHER CREDITS</b>              | <b>133,439</b>    | <b>754,855</b>     | <b>8,486</b>                | <b>217,708</b>             | <b>1,114,488</b>   | <b>938,092</b>     |
| <b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b> | <b>\$ 164,493</b> | <b>\$1,979,566</b> | <b>\$ 8,486</b>             | <b>\$ 217,708</b>          | <b>\$2,370,253</b> | <b>\$2,239,359</b> |

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, 2003**

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|   | <u>2003</u>              | <u>2002</u>             |
|---|--------------------------|-------------------------|
| <b><u>REVENUES</u></b>                          |                          |                         |
| Taxes   | \$ 103,556               | \$ 90,448               |
| Licenses and Permits                            | 24,843                   | 25,970                  |
| Intergovernmental                               | 45,975                   | 47,232                  |
| Charges for Services                            | 60,045                   | 55,143                  |
| Interest  | 5,522                    | 5,672                   |
| Miscellaneous                                   | <u>8,457</u>             | <u>9,647</u>            |
| <b>TOTAL REVENUES</b>                           | <b><u>248,398</u></b>    | <b><u>234,112</u></b>   |
| <b><u>EXPENDITURES</u></b>                      |                          |                         |
| Administrative                                  | 70,056                   | 68,377                  |
| Public Safety                                   | 10,744                   | 13,992                  |
| Garbage Collection                              | 50,804                   | 51,915                  |
| Highways and Public Improvements                | 38,022                   | 61,500                  |
| Community and Economic<br>Development           | 708                      |                         |
| Parks, Recreation and Public<br>Property        | <u>26,467</u>            | <u>19,971</u>           |
| <b>TOTAL EXPENDITURES</b>                       | <b><u>196,801</u></b>    | <b><u>215,755</u></b>   |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>51,597</b>            | <b>18,357</b>           |
| <b>FUND BALANCE - JULY 1</b>                    | <b><u>81,842</u></b>     | <b><u>63,485</u></b>    |
| <b>FUND BALANCE - JUNE 30</b>                   | <b><u>\$ 133,439</u></b> | <b><u>\$ 81,842</u></b> |

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, 2003**

|   | <u>GENERAL FUND</u>     |                          |   |
|---|-------------------------|--------------------------|---|
|   | <u>Budget</u>           | <u>Actual</u>            | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
| <b>REVENUES</b>                                 |                         |                          |   |
| Taxes   | \$ 98,300               | \$ 103,556               | \$ 5,256  |
| Licenses and Permits                            | 14,600                  | 24,843                   | 10,243  |
| Intergovernmental                               | 40,300                  | 45,975                   | 5,675   |
| Charges for Services                            | 56,800                  | 60,045                   | 3,245   |
| Interest  | 5,500                   | 5,522                    | 22  |
| Miscellaneous                                   | <u>          </u>       | <u>8,457</u>             | <u>8,457</u>                                    |
| <b>TOTAL REVENUES</b>                           | <b><u>215,500</u></b>   | <b><u>248,398</u></b>    | <b><u>32,898</u></b>                            |
| <b>EXPENDITURES</b>                             |                         |                          |   |
| Administrative                                  | 75,000                  | 70,056                   | 4,944   |
| Public Safety                                   | 13,500                  | 10,744                   | 2,756   |
| Garbage Collection                              | 50,000                  | 50,804                   | (804)   |
| Highways and Public Improvements                | 40,000                  | 38,022                   | 1,978   |
| Community and Economic Development              | 1,000                   | 708                      | 292   |
| Parks, Recreation and Public<br>Property        | <u>21,000</u>           | <u>26,467</u>            | <u>(5,467)</u>                                  |
| <b>TOTAL EXPENDITURES</b>                       | <b><u>200,500</u></b>   | <b><u>196,801</u></b>    | <b><u>3,699</u></b>                             |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <b>15,000</b>           | <b>51,597</b>            | <b>36,597</b>                                   |
| <b>FUND BALANCE - JULY 1</b>                    | <b><u>81,842</u></b>    | <b><u>81,842</u></b>     | <b><u>          </u></b>                        |
| <b>FUND BALANCE - JUNE 30</b>                   | <b><u>\$ 96,842</u></b> | <b><u>\$ 133,439</u></b> | <b><u>\$ 36,597</u></b>                         |

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, 2003

|   | Enterprise               | Non-<br>Expendable<br>Trust | Total<br>(Memorandum Only) |                          |
|---|--------------------------|-----------------------------|----------------------------|--------------------------|
|   |                          |                             | 2003                       | 2002                     |
| <b><u>OPERATING REVENUES</u></b>                    |                          |                             |                            |                          |
| Charges for Services                                | \$ 287,321               | \$                          | \$ 287,321                 | \$ 264,229               |
| Miscellaneous                                       | <u>37,471</u>            |                             | <u>37,471</u>              | <u>17,117</u>            |
| <b>TOTAL OPERATING REVENUES</b>                     | <b><u>324,792</u></b>    |                             | <b><u>324,792</u></b>      | <b><u>281,346</u></b>    |
| <b><u>OPERATING EXPENSES</u></b>                    |                          |                             |                            |                          |
| Salaries and Wages                                  | 14,030                   |                             | 14,030                     | 8,239                    |
| Materials and Supplies                              | 23,828                   |                             | 23,828                     | 21,198                   |
| Professional Services                               | 113,335                  |                             | 113,335                    | 28,912                   |
| Water Costs   | 4,600                    |                             | 4,600                      | 15,672                   |
| Natural Gas Purchases                               | 30,700                   |                             | 30,700                     | 108,220                  |
| Depreciation  | <u>37,258</u>            |                             | <u>37,258</u>              | <u>36,082</u>            |
| <b>TOTAL OPERATING EXPENSES</b>                     | <b><u>223,751</u></b>    |                             | <b><u>223,751</u></b>      | <b><u>218,323</u></b>    |
| <b>OPERATING INCOME</b>                             | <b>101,041</b>           |                             | <b>101,041</b>             | <b>63,023</b>            |
| <b><u>NON-OPERATING REVENUES<br/>(EXPENSES)</u></b> |                          |                             |                            |                          |
| Impact Fees   | 85,101                   |                             | 85,101                     | 55,904                   |
| Interest Income                                     |                          |                             |                            | 117                      |
| Interest Expense                                    | <u>(65,695)</u>          |                             | <u>(65,695)</u>            | <u>(68,789)</u>          |
| <b>NET INCOME</b>                                   | <b>120,447</b>           |                             | <b>120,447</b>             | <b>50,255</b>            |
| <b>RETAINED EARNINGS JULY 1,</b>                    | <b><u>632,768</u></b>    | <b><u>8,486</u></b>         | <b><u>641,254</u></b>      | <b><u>590,999</u></b>    |
| <b>RETAINED EARNINGS JUNE 30,</b>                   | <b><u>\$ 753,215</u></b> | <b><u>\$ 8,486</u></b>      | <b><u>\$ 761,701</u></b>   | <b><u>\$ 641,254</u></b> |

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, 2003**

|   | Enterprise        | Non-<br>Expendable<br>Trust | Total<br>(Memorandum Only) |                   |
|---|-------------------|-----------------------------|----------------------------|-------------------|
|   |                   |                             | 2003                       | 2002              |
| <b><u>CASH FLOWS FROM</u></b>                                   |                   |                             |                            |                   |
| <b><u>OPERATING ACTIVITIES</u></b>                              |                   |                             |                            |                   |
| Operating Income  | \$ 101,041        | \$                          | \$ 101,041                 | \$ 63,023         |
| Non-Cash Revenue and Expense<br>Adjustments                     |                   |                             |                            |                   |
| Depreciation Expense  | 37,258            |                             | 37,258                     | 36,082            |
| Decrease (Increase) in<br>Accounts Receivable                   | 1,777             |                             | 1,777                      | (10,777)          |
| Increase (Decrease) In<br>Accounts Payable                      | 3,238             |                             | 3,238                      | (17,948)          |
| Sales Tax Payable   | 297               |                             | 297                        | 314               |
| Accrued Interest Payable  | (836)             |                             | (836)                      | (810)             |
| <br>  |                   |                             |                            |                   |
| NET CASH FLOWS FROM<br>OPERATING ACTIVITIES                     | <u>142,775</u>    |                             | <u>142,775</u>             | <u>69,884</u>     |
| <br>  |                   |                             |                            |                   |
| <b><u>CASH FLOWS FROM</u></b>                                   |                   |                             |                            |                   |
| <b><u>NON-CAPITAL ACTIVITIES</u></b>                            |                   |                             |                            |                   |
| Transfers to Other Fund   |                   |                             |                            |                   |
| <br>  |                   |                             |                            |                   |
| NET CASH FLOWS FROM<br>NON-CAPITAL ACTIVITIES                   |                   |                             |                            |                   |
| <br>  |                   |                             |                            |                   |
| <b><u>CASH FLOWS FROM CAPITAL</u></b>                           |                   |                             |                            |                   |
| <b><u>AND RELATED FINANCING ACTIVITIES</u></b>                  |                   |                             |                            |                   |
| Proceeds from Bonds Payable                                     |                   |                             |                            | 125,000           |
| Impact Fees   | 85,101            |                             | 85,101                     | 55,904            |
| Acquisition of Property and Equipment                           |                   |                             |                            | (125,000)         |
| Long-Term Debt Principal Payments                               | (52,117)          |                             | (52,117)                   | (97,666)          |
| Interest Expense  | (65,695)          |                             | (65,695)                   | (68,789)          |
| <br>  |                   |                             |                            |                   |
| NET CASH FLOWS FROM CAPITAL<br>AND RELATED FINANCING ACTIVITIES | <u>(32,711)</u>   |                             | <u>(32,711)</u>            | <u>(110,551)</u>  |
| <br>  |                   |                             |                            |                   |
| <b><u>CASH FLOWS FROM</u></b>                                   |                   |                             |                            |                   |
| <b><u>INVESTING ACTIVITIES</u></b>                              |                   |                             |                            |                   |
| Interest Income   |                   |                             |                            | 117               |
| <br>  |                   |                             |                            |                   |
| NET CASH FLOWS FROM INVESTING<br>ACTIVITIES                     |                   |                             |                            | 117               |
| <br>  |                   |                             |                            |                   |
| NET INCREASE (DECREASE) IN CASH                                 | 110,064           |                             | 110,064                    | (40,550)          |
| <br>  |                   |                             |                            |                   |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR               | <u>184,910</u>    | <u>8,486</u>                | <u>193,396</u>             | <u>233,946</u>    |
| <br>  |                   |                             |                            |                   |
| CASH AND CASH EQUIVALENTS<br>AT END OF YEAR                     | <u>\$ 294,974</u> | <u>\$ 8,486</u>             | <u>\$ 303,460</u>          | <u>\$ 193,396</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, 2003**

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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 City provides municipal services under the following organizational structure:

**Mayor and City Council**

**Financial Services: Treasurer and Secretary.**

**Development Services: Planning and Zoning, and Code Enforcement.**

**Public Safety: Police (provided by contract with Juab County), Fire, Animal Control, and Emergency Medical Services.**

**Public Works: Streets, Water, Solid Waste, and Natural Gas Services.**

**Recreation**

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.

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

**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.

**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 are accounted for on a spending or financial flow measurement focus.

Fixed assets used in governmental fund type operations 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 natural gas) 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  |

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* and *Non-Expendable Trust 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.

The City records utility revenues billed to its customers when meters are read at the end of each quarter. There are no unbilled accounts receivable at June 30, 2003.

**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.

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

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.

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.

Deposits and Investments

Mona City considers all short-term investments with original maturities within three months of the balance sheet date to be cash equivalents. Investments held by the City are included in the financial statements at fair value.

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, 2003 are based on the assessed values and tax revenues established in 2002.

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

Deferred Revenue

Property taxes due November 30, 2003 are shown as deferred revenue.

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. **DEPOSITS 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.

**Deposits**

At June 30, 2003, the carrying amount and the bank balance of the City's deposits at Far West Bank was \$70,181 and \$77,942 respectively. The carrying amount and the bank balance of the City's deposits at Wells Fargo Bank was \$30,754. These deposits were entirely covered by federal depository insurance. The total invested in the Utah Public Treasurer's Investment fund at June 30, 2003 was \$324,699. The City also had petty cash of \$57 on hand at June 30, 2003.

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, 2003:

|                                   | <u>Balance</u><br><u>July 1, 2002</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2003</u> |
|-----------------------------------|---------------------------------------|--------------------|------------------|--|
| Land                              | \$ 1,780                              | \$                 | \$               | \$ 1,780                               |
| Water Shares and Rights           | 227,550                               |                    |                  | 227,550                                |
| Improvements Other than Buildings | 1,843,152                             |                    |                  | 1,843,152                              |
| Machinery and Equipment           | 8,698                                 |                    |                  | 8,698                                  |
| Accumulated Depreciation          | <u>(390,738)</u>                      | <u>(37,257)</u>    | <u>_____</u>     | <u>(427,995)</u>                       |
|                                   | <u>\$1,690,442</u>                    | <u>\$ (37,257)</u> | <u>\$ _____</u>  | <u>\$1,653,185</u>                     |

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

|                                   | <u>Balance</u><br><u>July 1, 2002</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2003</u> |
|-----------------------------------|---------------------------------------|------------------|------------------|--|
| Land                              | \$ 3,538                              | \$               | \$               | \$ 3,538                               |
| Buildings                         | 85,411                                |                  |                  | 85,411                                 |
| Improvements Other than Buildings | 54,950                                | 2,952            |                  | 57,902                                 |
| Machinery and Equipment           | 54,417                                | 1,400            |                  | 55,817                                 |
| Automobiles and Trucks            | <u>15,040</u>                         | <u>_____</u>     | <u>_____</u>     | <u>15,040</u>                          |
|                                   | <u>\$ 213,356</u>                     | <u>\$ 4,352</u>  | <u>\$ _____</u>  | <u>\$ 217,708</u>                      |

4. **LONG-TERM DEBT**

**BONDS AND NOTES PAYABLE**

Bonds outstanding at June 30, 2003 were as follows:

|   | <u>Interest</u><br><u>Rate</u> | <u>Maturity</u><br><u>Date</u> | <u>Balance</u>            |
|---|--------------------------------|--------------------------------|---------------------------|
| Water Revenue Bonds, dated January 1, 2000, (Original Amount--\$786,000)  | 4.21%                          | 2025                           | \$ 749,000                |
| Note payable to Mona Irrigation (Original Amount--\$125,000)  | 0.0%                           | 2022                           | 71,250                    |
| Natural Gas Utility Revenue Project Bonds, dated May 1, 1991, (Original Amount--\$305,000)                                | 7.0% to<br>8.0%                | 2005                           | 90,000                    |
| Natural Gas General Obligation Refunding Bonds, dated December 23, 1997, (Original Amount--\$340,000)                     | 5.15% to<br>5.55%              | 2011                           | <u>315,000</u>            |
| <b>Total Bonds and Notes Payable</b>  |                                |                                | <b>1,225,250</b>          |
| <b>Less:</b>  |                                |                                |                           |
| Unamortized Costs of Issuance   |                                |                                | 9,429                     |
| Unamortized Deferred Amount on Refunding  |                                |                                | 27,804                    |
| Current Portion of Bonds and Notes Payable  |                                |                                | <u>63,750</u>             |
| <b>Long-Term Portion of Bonds and Notes Payable, Net of Unamortized Costs of Issuance on Deferred Amount on Refunding</b> |                                |                                | <b><u>\$1,124,267</u></b> |

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

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

| Year Ending<br>June 30                       | Revenue<br>Bonds<br>and Notes | General<br>Obligation<br>Bonds | Total                      |
|--|-------------------------------|--------------------------------|----------------------------|
| 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   | 54,662                        | 57,322                         | 111,984                    |
| 2009-2025                                    | <u>977,938</u>                | <u>175,815</u>                 | <u>1,153,753</u>           |
| <b>Total Commitment</b>                      | <b>1,356,077</b>              | <b>408,962</b>                 | <b>1,765,039</b>           |
| <b>Less Interest Portion</b>                 | <b>445,827</b>                | <b>93,962</b>                  | <b>539,789</b>             |
| <b>Less Current Portion</b>                  | <b>58,750</b>                 | <b>5,000</b>                   | <b>63,750</b>              |
| <b>Less Unamortized<br/>Bond Costs</b>       |                               | <b>9,429</b>                   | <b>9,429</b>               |
| <b>Less Deferred Amount<br/>on Refunding</b> | <u>          </u>             | <u>27,804</u>                  | <u>27,804</u>              |
| <b>Long-Term Portion</b>                     | <b><u>\$ 851,500</u></b>      | <b><u>\$ 272,767</u></b>       | <b><u>\$ 1,124,267</u></b> |

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, 2003, \$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 2003 fiscal year. One Council member's parents are the Treasurer and the Cemetery Sexton/Park Superintendent.

7. **AREA OF NON COMPLIANCE**

The budget for 2003 was overspent in two departments, but not in total.

**SUPPLEMENTARY INFORMATION**

**CITY OF MONA, UTAH**  
**COMBINING BALANCE SHEET--ENTERPRISE FUNDS**  
**JUNE 30, 2003**

|  | <u>Water</u>              | <u>Natural Gas</u>       | <u>Total</u>              |
|--|---------------------------|--------------------------|---------------------------|
| <b>ASSETS</b>                            |                           |                          |                           |
| Pooled Cash and Cash Equivalents         | \$ 108,059                | \$ 55,079                | \$ 163,138                |
| Cash Restricted for                      |                           |                          |                           |
| Bond Requirements                        | 41,585                    | 30,754                   | 72,339                    |
| Impact Fees                              | 59,497                    |                          | 59,497                    |
| Accounts Receivable                      | 8,544                     | 22,863                   | 31,407                    |
| 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>(297,798)</u>          | <u>(130,197)</u>         | <u>(427,995)</u>          |
| <b>TOTAL ASSETS</b>                      | <b><u>\$1,448,742</u></b> | <b><u>\$ 530,824</u></b> | <b><u>\$1,979,566</u></b> |
| <b>LIABILITIES AND FUND EQUITY</b>       |                           |                          |                           |
| <b>LIABILITIES</b>                       |                           |                          |                           |
| Accounts Payable                         | \$ 1,554                  | \$ 12,754                | \$ 14,308                 |
| Sales Tax Payable                        |                           | 2,077                    | 2,077                     |
| Accrued Interest Payable                 | 15,766                    | 4,108                    | 19,874                    |
| Customer Utility Deposits                | 135                       | 300                      | 435                       |
| Current Portion of Long-Term Debt        | 23,750                    | 40,000                   | 63,750                    |
| Notes Payable                            | 67,500                    |                          | 67,500                    |
| Bonds Payable                            | <u>729,000</u>            | <u>327,767</u>           | <u>1,056,767</u>          |
| <b>TOTAL LIABILITIES</b>                 | <b><u>837,705</u></b>     | <b><u>387,006</u></b>    | <b><u>1,224,711</u></b>   |
| <b>FUND EQUITY</b>                       |                           |                          |                           |
| Contributed Capital                      | 1,640                     |                          | 1,640                     |
| Retained Earnings                        |                           |                          |                           |
| Reserved for                             |                           |                          |                           |
| Bond Requirements                        | 41,585                    | 30,754                   | 72,339                    |
| Impact Fees                              | 34,577                    |                          | 34,577                    |
| Unreserved                               | <u>533,235</u>            | <u>113,064</u>           | <u>646,299</u>            |
| <b>TOTAL FUND EQUITY</b>                 | <b><u>611,037</u></b>     | <b><u>143,818</u></b>    | <b><u>754,855</u></b>     |
| <b>TOTAL LIABILITIES AND FUND EQUITY</b> | <b><u>\$1,448,742</u></b> | <b><u>\$ 530,824</u></b> | <b><u>\$1,979,566</u></b> |

# CITY OF MONA, UTAH

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS--ENTERPRISE FUNDS YEAR ENDED JUNE 30, 2003

|   | <u>Water</u>             | <u>Natural Gas</u>       | <u>Total</u>             |
|---|--------------------------|--------------------------|--------------------------|
| <b><u>OPERATING REVENUES</u></b>                |                          |                          |                          |
| Charges for Services                            | \$ 76,925                | \$ 210,396               | \$ 287,321               |
| Miscellaneous                                   | <u>15,900</u>            | <u>21,571</u>            | <u>37,471</u>            |
| <b>TOTAL OPERATING REVENUES</b>                 | <b><u>92,825</u></b>     | <b><u>231,967</u></b>    | <b><u>324,792</u></b>    |
| <b><u>OPERATING EXPENSES</u></b>                |                          |                          |                          |
| Salaries and Wages                              | 8,483                    | 5,547                    | 14,030                   |
| Material and Supplies                           | 19,462                   | 4,366                    | 23,828                   |
| Professional Services                           | 5,869                    | 107,466                  | 113,335                  |
| Water Costs                                     | 4,600                    |                          | 4,600                    |
| Natural Gas Purchases                           |                          | 30,700                   | 30,700                   |
| Depreciation                                    | <u>25,991</u>            | <u>11,267</u>            | <u>37,258</u>            |
| <b>TOTAL OPERATING EXPENSES</b>                 | <b><u>64,405</u></b>     | <b><u>159,346</u></b>    | <b><u>223,751</u></b>    |
| <b>OPERATING INCOME</b>                         | <b>28,420</b>            | <b>72,621</b>            | <b>101,041</b>           |
| <b><u>NON-OPERATING REVENUES (EXPENSES)</u></b> |                          |                          |                          |
| Impact Fees                                     | 85,101                   |                          | 85,101                   |
| Interest Expense                                | <u>(31,933)</u>          | <u>(33,762)</u>          | <u>(65,695)</u>          |
| <b>NET INCOME</b>                               | <b>81,588</b>            | <b>38,859</b>            | <b>120,447</b>           |
| <b>RETAINED EARNINGS JULY 1, 2002</b>           | <b><u>527,809</u></b>    | <b><u>104,959</u></b>    | <b><u>632,768</u></b>    |
| <b>RETAINED EARNINGS JUNE 30, 2003</b>          | <b><u>\$ 609,397</u></b> | <b><u>\$ 143,818</u></b> | <b><u>\$ 753,215</u></b> |

**CITY OF MONA, UTAH**  
**COMBINING STATEMENT OF CASH FLOWS--**  
**ENTERPRISE FUNDS**  
**YEAR ENDED JUNE 30, 2003**

|  | <u>Water</u>          | <u>Natural Gas</u>   | <u>Total</u>          |
|--|-----------------------|----------------------|-----------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                             |                       |                      |                       |
| Operating Income   | \$ 28,420             | \$ 72,621            | \$ 101,041            |
| Non-Cash Revenue and<br>Expense Adjustments                                    |                       |                      |                       |
| Depreciation Expense   | 25,991                | 11,267               | 37,258                |
| Decrease (Increase) in<br>Accounts Receivable                                  | 2,001                 | (224)                | 1,777                 |
| Increase (Decrease) in<br>Accounts Payable                                     | 1,554                 | 1,684                | 3,238                 |
| Sales Tax Payable  |                       | 297                  | 297                   |
| Accrued Interest Payable   | <u>(400)</u>          | <u>(436)</u>         | <u>(836)</u>          |
| <br>NET CASH FLOWS FROM<br>OPERATING ACTIVITIES                                | <br><u>57,566</u>     | <br><u>85,209</u>    | <br><u>142,775</u>    |
| <br><b><u>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</u></b> |                       |                      |                       |
| Impact Fees  | 85,101                |                      | 85,101                |
| Long-Term Debt Principal Payments  | (22,751)              | (29,366)             | (52,117)              |
| Interest Expense   | <u>(31,933)</u>       | <u>(33,762)</u>      | <u>(65,695)</u>       |
| <br>NET CASH FLOWS FROM CAPITAL<br>AND RELATED FINANCING ACTIVITIES            | <br><u>30,417</u>     | <br><u>(63,128)</u>  | <br><u>(32,711)</u>   |
| <br><b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                         |                       |                      |                       |
| Interest Income  | _____                 | _____                | _____                 |
| <br>NET CASH FLOWS FROM<br>INVESTING ACTIVITIES                                | <br>_____             | <br>_____            | <br>_____             |
| <br>NET INCREASE IN CASH   | <br>87,983            | <br>22,081           | <br>110,064           |
| <br>CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF YEAR                          | <br><u>121,158</u>    | <br><u>63,752</u>    | <br><u>184,910</u>    |
| <br>CASH AND CASH EQUIVALENTS<br>AT END OF YEAR                                | <br><u>\$ 209,141</u> | <br><u>\$ 85,833</u> | <br><u>\$ 294,974</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 12, 2003**

**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, 2003 and have issued my report thereon dated August 12, 2003. 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, 2003. 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:**

|                                       |  |
|---------------------------------------|--|
| <b>Public Debt</b>                    | <b>Class C Road Funds</b>              |
| <b>Cash Management</b>                | <b>Other General Issues</b>            |
| <b>Purchasing Requirements</b>        | <b>Uniform Building Code Standards</b> |
| <b>Budgetary Compliance</b>           | <b>Liquor Law Enforcement</b>          |
| <b>Truth in Taxation and Property</b> | <b>Justice Court</b>                   |
| <b>Tax Limitations</b>                | <b>Impact Fees</b>                     |

**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, 2003.

  
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 12, 2003

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, 2003, and have issued my report thereon dated August 12, 2003. 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 12, 2003.

This report is intended solely for the information of the Audit Committee, others within the organization, management, and the City Council 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**  
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**MANAGEMENT LETTER**  
**JUNE 30, 2003**  
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**GREG OGDEN, CPA  
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SPRINGVILLE, UT 84663  
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**August 12, 2003**

**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, 2003, 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, 2003. 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, 2003, the budget was exceeded in two departments.

### 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 - NO WRITTEN PURCHASING POLICY MANUAL

All governments are required to adopt written 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 - MOTIONS REQUIRED FOR CONTRACT APPROVAL

Several City projects were completed by companies without a contract being officially approved by the City Council.

### RECOMMENDATION

A motion to approve each contract with a company hired to do work for the City should be proposed by a City Council member. A vote should be taken among the council members to approve or deny the motion. The motion and the results of the vote should be noted in the City Council meeting minutes.

### RESPONSE - MONA CITY

We will make sure a motion is made and voted on each time it is necessary. We will make sure the motion and the results of each motion are recorded in the minutes.

**FINDING - GENERAL FUND BALANCE EXCEEDS LIMIT**

The State requires cities to maintain their general fund balances between 5% and 18% of the budgeted general fund revenues. For the 2003 fiscal year, Mona was required to maintain their general fund balance between \$10,775 and \$38,790. The actual general fund balance at the end of the 2003 fiscal year was \$64,927.

**RECOMMENDATION**

You should find a use for the excess general fund balance during the 2004 fiscal year. It can either be used for a 2004 project or it can be moved to a capital project fund and earmarked for a future project.

**RESPONSE - MONA CITY**

We will open and amend our budget to spend the amount necessary to ensure that the fund balance is within the limits required by the State.

**FINDING - GOVERNMENT RECORDS ACCESS AND MANAGEMENT ACT COMPLIANCE**

The City is required to follow the requirements of the Government Records Access and Management Act (GRAMA). The City's staff was unsure whether the City's records were being maintained as required by the State.

**RECOMMENDATION**

I recommend that the City contact the State Archivist at (801)538-3012 and request a general record retention schedule. Records should be kept as instructed on that schedule and then they should be properly disposed of when they are no longer required to be kept.

**RESPONSE - MONA CITY**

We have a copy of the GRAMA schedule. We will follow the schedule closely.

**FINDING - RE-READING OF METERS**

Many re-reads of meters have been required over the past year. It is important to read the meters correctly so that no citizen gets bills for services which were not provided and so that no citizen receives services for which they do not pay.

**RECOMMENDATION**

Extra care should be taken during the initial reading of meters to ensure that re-reads are kept to a minimum.

**RESPONSE - MONA CITY**

We will take care to ensure that meters are read correctly the first time.

**FINDING - CASH FOR CITY CELEBRATION**

Cash has been withdrawn from the City checking account each year to provide change in the candy booths during the City celebration. In the past only one person has been in charge of withdrawing, counting, and depositing this cash.

**RECOMMENDATION**

I recommend that two people be authorized by the City Council to be in charge of the cash from the time it is withdrawn until it is redeposited in the bank. At least two people should be assigned to each booth at all times. The two people responsible for depositing the cash should count it together each night and sign a paper stating how much was counted. The balance on that paper should be compared to the amount deposited to the bank.

**RESPONSE - MONA CITY**

We will follow your recommendation and make sure two people have control of the cash at all times.

**FINDING - PASSWORDS FOR CASELLE AND QUICKBOOKS**

The passwords for the two accounting programs used by the City have not been changed in several years. It is possible that former employees of the City may know the passwords.

**RECOMMENDATION**

I recommend that the passwords be updated regularly to ensure control over the City's sensitive accounting data.

**RESPONSE - MONA CITY**

The passwords have been changed and will be changed regularly in the future.

**FINDING - REVIEW OF INVOICES PRIOR TO PAYMENT**

All of the invoices the City receives should be reviewed by the City Council prior to payment being made.

**RECOMMENDATION**

I recommend that a list of all invoices for which payment is planned should be provided for the entire City Council to review at City Council meeting. Any questions on individual invoices should be resolved to the City Council's satisfaction prior to payment being made.

**RESPONSE - MONA CITY**

We have been reviewing the invoices at our City Council meetings and will continue to do so. We will resolve any questions prior to sending the checks.

## **RESOLVED PRIOR YEAR FINDINGS**

### **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 now require everyone to obtain council approval prior to making long trips.

### **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**

All checks written during the 2003 fiscal year were signed by the treasurer.

### **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 discontinued the use of handwritten checks.

**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 during the 2002 fiscal year 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. Only 3% of the invoices tested during the 2003 fiscal year were missing supporting invoices.

**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 2003 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 2003 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.