MANTUA TOWN

Audited Financial Statements

June 30, 2005

Davis & Bott
Certified Public Accountants, L.C.
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P.O. Box 369
Brigham City, Utah 84302
435-723-5224

Mantua Town
June 30, 2005

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The Honorable Mayor and Town Council
Mantua Town
Mantua, UT 84324

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Mantua, Utah. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of Mantua, Utah's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and on page 35, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Davis & Bott
Certified Public Accountants, L.C.

Brigham City, Utah
November 30, 2005

Mantua Town
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2005

As management of Mantua, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

A The assets of the Town exceeded its liabilities at June 30, 2005, by $1,086,025. Of this amount, unrestricted net assets of $220,367 may be used to meet the Town's ongoing obligations to citizens and creditors.

B The total net assets increased by $29,485 over the prior year. Of this amount, $55,258 was associated with governmental and $(25,773) with business-type activities.

C As of the close of the current fiscal year, the Town's general fund reported an ending fund balance of $101,165, a decrease of $389 in comparison with the prior year. All of this amount is unreserved and available for spending, and represents 26 percent of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, roads, parks and cemetery. The business-type activities of the Town consist of culinary water, sewer and garbage collection.

The government-wide financial statements include only the Town itself (known as the primary government). There are no component units that should be reported in the Town's financial statements.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions.

Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town maintains one governmental fund. The Town adopts a one-year budget for its governmental fund. A budgetary comparison statement has been provided.

Proprietary Funds. The Town maintains only one type of proprietary fund; namely, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water, the sewer and the garbage utility funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the Town's assets exceeded liabilities by $1,086,025. By far, the largest portion of the Town's net assets (74 percent) reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

Mantua Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 206,720	$ 247,611	$ 167,121	$ 201,675	$ 373,841	$ 449,286
Capital assets	228,286	171,547	1,078,231	1,104,819	1,306,517	1,276,366
Total assets	435,006	419,158	1,245,352	1,306,494	1,680,358	1,725,652
Long-term liabilities outstanding	-	16,500	465,956	497,355	465,956	513,855
Other liabilities	83,292	106,202	45,085	49,055	128,377	155,257
Total liabilities	83,292	122,702	511,041	546,410	594,333	669,112
Net assets:						
Investment in capital assets, net of related debt	228,286	171,547	579,927	575,364	808,213	746,911
Restricted	-	-	57,445	52,874	57,445	52,874
Unrestricted	123,428	124,909	96,939	131,846	220,367	256,755
Total net assets	$ 351,714	$ 296,456	$ 734,311	$ 760,084	$ 1,086,025	$ 1,056,540

The unrestricted net assets of $220,367 (20 percent) may be used to meet the Town's ongoing obligations to citizens and creditors. At the end of the current fiscal year the Town is able to report positive balances in both categories of net assets both for the government as a whole, as well as for its individual governmental and business-type activities.

Mantua Town
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2005

Mantua Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 153,648	$ 171,321	$ 175,986	$ 180,823	$ 329,634	$ 352,144
Operating grants and contributions	43,335	52,553	1,149	-	44,484	52,553
Capital grants and contributions	16,434	12,230	-	10,000	16,434	22,230
General revenues:						
Property taxes	70,961	72,113	-	-	70,961	72,113
Other taxes	66,468	57,126	-	-	66,468	57,126
Other	32,966	31,016	2,352	2,212	35,318	33,228
Total revenues	383,812	396,359	179,487	193,035	563,299	589,394
Expenses:						
General government	217,207	209,568	-	-	217,207	209,568
Public safety	66,160	70,119	-	-	66,160	70,119
Streets and public works	55,185	49,794	-	-	55,185	49,794
Parks and recreation	11,171	11,236	-	-	11,171	11,236
Governmental debt service	-	230	-	-	-	230
Water utility	-	-	67,956	73,342	67,956	73,342
Sewer utility	-	-	88,637	79,639	88,637	79,639
Garbage utility	-	-	27,498	27,404	27,498	27,404
Total expenses	349,723	340,947	184,091	180,385	533,814	521,332
Increase in net assets before transfers	34,089	55,412	(4,604)	12,650	29,485	68,062
Transfers	21,169	-	(21,169)	-	-	-
Change in net assets	55,258	55,412	(25,773)	12,650	29,485	68,062
Net assets - beginning	296,456	241,044	760,084	747,434	1,056,540	988,478
Net assets - end	$ 351,714	$ 296,456	$ 734,311	$ 760,084	$ 1,086,025	$ 1,056,540

Governmental and Business-Type Activities. Governmental activities increased the Town's net assets by $55,258. When combined with the $25,773 decrease in net assets from business-type activities, overall net assets increased by $29,485 or 3 percent.

The increase in governmental net assets is consistent with the prior year. The decrease in the business-type activities is due mainly to forgiving prior loans to the general fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Fund. The purpose of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful is assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund and only governmental fund. At the end of the current fiscal year, unreserved fund balance of the general fund was $101,165, which comprises the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved (and total) general fund balance represents 26 percent of total general fund expenditures. During the fiscal year ended June 30, 2005, the fund balance of the Town's general fund decreased by $389.

Business-Type Funds. The water utility fund's net assets increased by $2,489. This was due mainly to a transfer received.

The sewer fund's net assets decreased by $32,814. This was mainly due to forgiving prior loans to the water fund and general fund. The garbage fund's net assets increased by $4,552. This amount was anticipated.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended due to more gross fines and sales taxes being received, and more road projects planned. The main reason for charges for services and general government budget amounts being greater than actual was due to fines being reported as gross amounts in the budget, and the state's portion being shown as an expense of the general government in the budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town's capital assets for its governmental and business-type activities at June 30, 2005, amounted to $1,306,517 (net of accumulated depreciation). Capital assets includes land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total increase in the Town's capital assets for the current fiscal year was $30,151, an increase of 33 percent for governmental activities and a decrease of 2 percent for business-type activities.

Mantua Town's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$ 52,780	$ 20,160	$ 17,100	$ 17,100	$ 69,880	$ 37,260
Buildings	84,933	81,218	43,343	49,274	128,276	130,492
Improvements other than buildings	26,945	-	984,788	1,013,445	1,011,733	1,013,445
Equipment	63,628	70,169	-	-	63,628	70,169
Construction in progress	-	-	33,000	25,000	33,000	25,000
Net capital assets	$ 228,286	$ 171,547	$ 1,078,231	$ 1,104,819	$ 1,306,517	$ 1,276,366

Additional information on the Town's capital assets can be found in Note 4 on pages 27 and 28 of this report.

Long-term debt. At the end of the current fiscal year, the Town had $478,304 in outstanding revenue bonds and $20,000 in unsecured notes payable.

Mantua Town's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
Revenue bonds	$ -	$ -	$478,304	$504,455	$478,304	$504,455
Notes payable	-	-	20,000	25,000	20,000	25,000
Total	$ -	$ -	$ 498,304	$ 529,455	$ 498,304	$ 529,455

Total long-term debt decreased by $31,151 for the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mantua, Utah, has placed a moratorium on approval of water hookups. The reason for this moratorium is the lack of water currently available. The affects of this action will include a decrease in impact fees and building permits. The Town is currently working to increase the water supply.

Mantua Town
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$121,943	$ 92,839	$ 214,782
Accounts receivable - net	-	20,867	20,867
Due from other governmental units	74,802	-	74,802
Prepaid expenses	5,945	-	5,945
Internal balances	4,030	(4,030)	-
Restricted cash and investments	-	57,445	57,445
capital assets (net of accumulated depreciation)			
Land	52,780	17,100	69,880
Buildings	84,933	43,343	128,276
Improvements	26,945	984,788	1,011,733
Equipment	63,628	-	63,628
Construction in progress	-	33,000	33,000
Total assets	435,006	1,245,352	1,680,358
LIABILITIES			
Accounts payable and accrued liabilities	13,321	4,096	17,417
Due to other governments	8,463	4,180	12,643
Interest payable	-	4,461	4,461
Current portion of long-term debt	-	32,348	32,348
Deferred revenue	60,108	-	60,108
Deposits	1,400	-	1,400
Notes payable	-	15,000	15,000
Revenue bonds payable	-	450,956	450,956
Total liabilities	83,292	511,041	594,333
NET ASSETS			
Invested in capital assets, net of related debt	228,286	579,927	808,213
Restricted - debt service	-	57,445	57,445
Unrestricted	123,428	96,939	220,367
Total net assets	$351,714	$ 734,311	$1,086,025

The accompanying notes are an integral part of these statements.

Mantua Town
Balance Sheet - Governmental Fund
June 30, 2005

	General Fund
ASSETS	
Cash and cash equivalents	$ 121,943
Intergovernmental receivables (net):	
Property tax	54,118
Sales tax	10,836
Class "C" road money	7,796
Telephone tax	2,052
Interfund receivable	4,030
Prepaid expense	5,945
Total assets	$ 206,720
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	$ 13,321
Due to other governments	8,463
Deposits	1,400
Deferred revenue	82,371
Total liabilities	105,555
Fund balance:	
Unreserved	101,165
Total fund balance	101,165
Total liabilities and fund balance	$ 206,720

The accompanying notes are an integral part of these statements.

Mantua Town
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Assets
June 30, 2005

Total fund balance - governmental fund types	$ 101,165
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	228,286
Revenues not considered available are deferred in the funds.	22,263
Net assets of government activities	$ 351,714

The accompanying notes are an integral part of these statements.

Mantua Town
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2005

	General Fund
Revenues:	
Taxes	
Property	$ 69,382
Sales and use	60,034
Other	4,200
Licenses and permits	7,291
Intergovernmental	48,240
Charges for services	131,897
Rental income	30,154
Miscellaneous revenue	18,894
Interest earnings	3,460
Total revenues	373,552
Expenditures:	
Current:	
General government	241,334
Public safety	64,879
Streets and public works	80,485
Parks and recreation	8,412
Total expenditures	395,110
(Deficiency) of revenues over expenditures	(21,558)
Other financing sources:	
Transfers in	21,169
Total other financing sources	21,169
(Deficiency) of revenues and other sources over expenditures and other uses	(389)
Fund balance at beginning of year	101,554
Fund balance at end of year	$ 101,165

The accompanying notes are an integral part of these statements.

Mantua Town
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities
June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balance - total governmental fund	$ (389)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	56,739
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(1,092)
Change in net assets of governmental activities	$ 55,258

The accompanying notes are an integral part of these statements.

Mantua Town
Statement of Net Assets - Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Garbage Utility	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 14,634	$ 62,202	$16,003	$ 92,839
Accounts receivable - net	7,631	9,343	3,893	20,867
Total current assets	22,265	71,545	19,896	113,706
Noncurrent assets:				
Restricted cash and investments	45,757	11,688	-	57,445
Capital assets (net of accumulated depreciation):				
Land	17,100	-	-	17,100
Buildings	43,343	-	-	43,343
Improvements	572,387	412,401	-	984,788
Equipment	-	-	-	-
Construction in progress	33,000	-	-	33,000
Total noncurrent assets	711,587	424,089	-	1,135,676
Total assets	733,852	495,634	19,896	1,249,382
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	1,747	116	2,233	4,096
Due to other governments	-	4,180	-	4,180
Interest payable	4,461	-	-	4,461
Interfund payable	3,038	992	-	4,030
Current portion of long-term debt	26,688	5,660	-	32,348
Total current liabilities	35,934	10,948	2,233	49,115
Noncurrent liabilities:				
Note payable	15,000	-	-	15,000
Revenue bonds payable	332,249	118,707	-	450,956
Total noncurrent liabilities	347,249	118,707	-	465,956
Total liabilities	383,183	129,655	2,233	515,071
NET ASSETS				
Invested in capital assets, net of related debt	291,893	288,034	-	579,927
Restricted - debt service	45,757	11,688	-	57,445
Unrestricted	13,019	66,257	17,663	96,939
Total net assets	$350,669	$365,979	$17,663	$ 734,311

The accompanying notes are an integral part of these statements.

Mantua Town
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Garbage Utility	Total
Operating revenues				
Monthly charges	$ 65,906	$ 77,905	$32,050	$175,861
Hookup fees	-	125	-	125
Total operating revenues	65,906	78,030	32,050	175,986
Operating expenses:				
Salaries and wages	8,454	992	-	9,446
Contracted services	-	50,095	27,498	77,593
Materials and supplies	4,104	-	-	4,104
Insurance	2,804	2,654	-	5,458
Maintenance and repairs	3,901	9,207	-	13,108
Miscellaneous	365	3	-	368
Utilities	6,232	-	-	6,232
Professional services	2,648	3,775	-	6,423
Depreciation	29,508	14,947	-	44,455
Total operating expenses	58,016	81,673	27,498	167,187
Operating income	7,890	(3,643)	4,552	8,799
Nonoperating revenues (expenses):				
Interest revenue	1,128	1,224	-	2,352
Impact fees	-	1,149	-	1,149
Interest expense	(9,940)	(6,964)	-	(16,904)
Total nonoperating revenues	(8,812)	(4,591)	-	(13,403)
Income (loss) before transfers	(922)	(8,234)	4,552	(4,604)
Transfers in (out)	3,411	(24,580)	-	(21,169)
Change in net assets	2,489	(32,814)	4,552	(25,773)
Total net assets - beginning	348,180	398,793	13,111	760,084
Total net assets - ending	$350,669	$365,979	$17,663	$734,311

The accompanying notes are an integral part of these statements.

Mantua Town
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Garbage Utility	Total
Cash flows from operating activities:				
Receipts from customers	$ 67,339	$ 78,135	$ 32,825	$ 178,299
Payments to suppliers	(19,482)	(65,638)	(27,632)	(112,752)
Payments to employees	(5,416)	-	-	(5,416)
Net cash provided by operating activities	42,441	12,497	5,193	60,131
Cash flows from noncapital financing activities:				
Interfund loan repayments	9,000	-	-	9,000
Net cash provided by financing activities	9,000	-	-	- 9,000
Cash flows from capital and related financing activities:				
Purchases of capital assets	(17,868)	-	-	(17,868)
Principal paid on capital debt	(26,427)	(4,723)	-	(31,150)
Interest paid on capital debt	(10,879)	(6,964)	-	(17,843)
Impact fees received	-	1,149	-	1,149
Net cash used in capital and related financing activities	(55,174)	(10,538)	-	(65,712)
Cash flows from investing activities:				
Interest and dividends received	1,128	1,224	-	2,352
Net cash provided by investing activities	1,128	1,224	-	2,352
Net increase (decrease) in cash and cash equivalents	(2,605)	3,183	5,193	5,771
Cash and cash equivalents - beginning	62,996	70,707	10,810	144,513
Cash and cash equivalents - end	$ 60,391	$ 73,890	$ 16,003	$ 150,284
Cash and cash equivalents	$ 14,634	$ 62,202	$ 16,003	$ 92,839
Restricted cash and investments	45,757	11,688	-	57,445
Total cash and cash equivalents	$ 60,391	$ 73,890	$ 16,003	$ 150,284

The accompanying notes are an integral part of these statements.

Mantua Town
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Garbage Utility	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 7,890	$ (3,643)	$ 4,552	$ 8,799
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	29,508	14,947	-	44,455
Decrease in accounts receivable	1,433	105	775	2,313
Increase (decrease) in accounts payable	572	116	(134)	554
Increase in interfund payable	3,038	992	-	4,030
Increase (decrease) in due to other governments	-	(20)	-	(20)
Total adjustments	34,551	16,140	641	51,332
Net cash provided by operating activities	$ 42,441	$ 12,497	$ 5,193	$ 60,131
Noncash investing, capital and financing activities:				
Interfund loans were reclassified as interfund transfers	$ 3,411	$(24,580)	$ -	$ (21,169)

The accompanying notes are an integral part of these statements.

Mantua Town
Notes to Financial Statements
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

Mantua, Utah, is governed by an elected mayor and four council members. The Town has determined it has no component units.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government has the following fund types:

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected by year end. Expenditures are recorded when the related fund liability is incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town's only governmental fund is the general fund. The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has three proprietary funds - the water utility fund, the sewer utility fund and the garbage utility fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash Equivalents

For purposes of the statement of cash flows, Mantua Town considers all certificates of deposit and restricted cash to be cash equivalents. Investments, which consists only of money invested in the Utah Public Treasurer's Investment Fund, is also considered to be a cash equivalent.

E. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

F. Capital Assets

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting system placed in service prior to June 30, 2003, have not been capitalized.

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

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 - 50 years
Improvements	10 - 50 years
Equipment	3 - 10 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budget and Budgetary Accounting

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended in accordance with Utah law.

H. Estimates

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

I. Restricted Resources

The Town applies restricted resources first when an eligible expense is incurred.

NOTE 2. CASH AND INVESTMENTS

At year end, the government's carrying amount of deposits was $229,553 and the bank balance was $239,227. Of the bank balance, $100,000 was covered by federal depository insurance and $139,227 was uncollateralized.

Statutes authorize Mantua, Utah, to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records and the Utah Public Treasurer's Investment Fund (PTIF). The Utah Public Treasurers' Investment Fund is an external investment pool managed by the Utah State Treasurer. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. These deposits are considered unrated.

NOTE 2. CASH AND INVESTMENTS

Mantua Town's investments at year end are shown below:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	$ 42,674	$ 42,681

Of the carrying amount of investments, $20,177 is shown as investments and the balance is included in restricted cash and investments.

NOTE 3. RESTRICTED CASH AND INVESTMENTS

The revenue bonds require that certain reserves and/or sinking funds be maintained to assure payment of the bonds as they become due. Mantua Town is maintaining the following restricted cash and investment accounts:

$412,000 1999 water bonds (Water Resources Board) reserve	$ 40,863
$61,000 water bonds (Water Resources Board) reserve	4,894
$200,000 sewer bonds (GMAC) reserve	11,688
Total restricted cash and investments	$ 57,445

NOTE 4. FIXED ASSETS

The following is a summary of changes in the capital assets during the fiscal year:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 20,160	$ 32,620	$ -	$ 52,780
Capital assets being depreciated:				
Buildings	113,474	6,775	-	120,249
Improvements	-	27,754	-	27,754
Machinery and equipment	243,558	11,648	5,678	249,528
Total capital assets being depreciated	357,032	46,177	5,678	397,531
Less accumulated depreciation:				
Buildings	32,258	3,058	-	35,316
Improvements	-	809	-	809
Machinery and equipment	173,387	17,541	5,028	185,900
Total accumulated depreciation	205,645	21,408	5,028	222,025
Total capital assets being depreciated - net	151,387	24,769	650	175,506
Governmental activities capital assets - net	$ 171,547	$ 57,389	$ 650	$ 228,286

NOTE 4. FIXED ASSETS (Continued)

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 17,100	$ -	$ -	$ 17,100
Construction in progress	25,000	8,000	-	33,000
Total capital assets not being depreciated	42,100	8,000	-	50,100
Capital assets being depreciated:				
Buildings	252,664	-	-	252,664
Improvements	1,518,023	9,868	-	1,527,891
Machinery and equipment	2,124	-	-	2,124
Total capital assets being depreciated	1,772,811	9,868	-	1,782,679
Less accumulated depreciation:				
Buildings	203,389	5,932	-	209,321
Improvements	504,579	38,524	-	543,103
Machinery and equipment	2,124	-	-	2,124
Total accumulated depreciation	710,092	44,456	-	754,548
Business type activities capital assets - net	$ 1,104,819	$ (26,588)	$ -	$ 1,078,231

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	
General government	$ 3,270
Public safety	8,475
Streets and public works	6,908
Parks and recreation	2,759
Total governmental activities	$ 21,412
Business-type activities:	
Water utility	$ 29,508
Sewer utility	14,947
Total business-type activities	$ 44,455

NOTE 5. LONG-TERM DEBT

ENTERPRISE FUND

Revenue Bonds Payable

The following is a summary of the revenue bonds at June 30, 2005:

$191,015 Water Bonds (Water Resources Board) Series 1999A, due in annual installments of $11,890 to $13,379 through January 1, 2020; interest at 2.72%.	$152,000
$220,985 Water Bonds (Water Resources Board) Series 1999B, due in annual installments of $13,787 to $15,142 through January 1, 2020; interest at 2.72%.	176,000
$61,000 Water Bonds (Water Resources Board) due in annual installments of $4,985 through January 1, 2012; interest at 5.00%.	25,937
$200,000 Sewer Bonds (FHA) due in monthly installments of $974 through January 1, 2023; interest at 5.00%.	124,367
Total revenue bonds payable	478,304
Current portion	(27,348)
Total long-term revenue bonds payable	$450,956

All of the revenue bonds are secured by the funds' related monthly charges.

NOTE 5. LONG-TERM DEBT (Continued)

Unsecured Note Payable

$25,000 from Water Resources Board due in annual installments of $5,000 through January 1, 2009.	
	$20,000
Current portion	5,000
Long-term note payable	$15,000

Changes in Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

Business Type:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Notes payable	$ 25,000	$ -	$ 5,000	20,000	5,000
Revenue bonds payable	504,455	-	26,151	478,304	27,348
Total	$ 529,455	$ -	$ 31,151	$ 498,304	$ 32,348

NOTE 5. LONG-TERM DEBT (Continued)

Debt Service Requirements

The debt service requirements, including interest and principal, for long-term debt at June 30, 2005, are as follows:

	Business Type			
	Note Payable		Revenue Bonds	
Year Ending June 30	Principal	Interest	Principal	Interest
2006	$ 5,000	$ -	$ 27,348	$ 16,355
2007	5,000	-	27,609	15,406
2008	5,000	-	29,096	14,429
2009	5,000	-	30,608	13,400
2010	-	-	31,145	12,319
2011 - 2015	-	-	154,485	45,283
2016 - 2020	-	-	174,600	18,176
2021 - 2025	-	-	3,413	52
Principal and interest	$ 20,000	$ -	$ 478,304	$ 135,420

NOTE 6. RETIREMENT PLANS

Plan Description

Mantua Town contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with (without) Social Security coverage, which are for employers with (without) Social Security coverage cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Board (Board) whose members are appointed by the Governor.

NOTE 6. RETIREMENT PLANS (Continued)

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System Mantua Town is required to contribute 11.09 percent of their annual covered salary. In the Public Safety Retirement System for employers with (without) Social Security coverage noncontributory division Mantua Town is required to contribute 19.08 percent of their annual salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Mantua, Utah, contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004 and 2003, were $6,672, $5,523 and $4,738, respectively, and for the Public Safety Retirement System the contributions for June 30, 2005, 2004 and 2003, were $5,687, $5,961, and $4,866, respectively. The contributions were equal to the required contributions for each year.

401(k) Plan

The Town participates in a 401(k) plan, a defined contribution plan, through the Utah State Retirement System. The employees may elect to have money withheld from their pay up to the amount allowed by the IRS.

Plan member contributions were $4,400, $6,000 and $6,000 for the years ended June 30, 2005, 2004 and 2003, respectively.

NOTE 7. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

NOTE 8. INTERFUND TRANSACTIONS

Interfund balances of the Town, which represent payroll reimbursements to the general fund, consisted of the following at June 30, 2005:

Interfund Receivable Payable:

Receivable Fund	Payable Fund	Amount
General	Water	$ 3,038
General	Sewer	992
		$ 4,030

Interfund Transfers:

Most interfund receivables/payables at June 30, 2004, were formally forgiven during the year and reclassified as transfers. All transfers represent this reclassification.

Transferor Fund	Transferee Fund	Amount
Sewer	Water	$ 1,360
General	Water	2,051
Sewer	General	23,220
		$ 26,631

See Independent Auditors' Report

NOTE 9. RISK MANAGEMENT

Mantua is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through Utah Local Government Trust and a commercial policy (errors and omissions), and injuries to employees are insured through employees' workers compensation (additional assessments are not allowed). Settled claims have not exceeded the Town's insurance coverage for any of the past three years. For insured programs, there have been no significant reductions in insurance coverage.

NOTE 10. RECLASSIFICATIONS

Previous financial statements of the Town have included Justice Court expenditures in public safety expenditures. This year, the Town has reported these expenditures in general government expenditures in accordance with the Uniform Accounting Manual for the State of Utah.

The amount of sinking fund requirements for the water and sewer funds in last year's financial statements was not shown as restricted net assets. This year, it has been properly reflected in the net assets section of the financial statements. Restricted net assets should have been $41,186 for the water utility fund and $11,688 for the sewer utility fund in the statement of net assets at June 30, 2004.

Required Supplementary Information

Mantua Town
Budgetary Comparison Schedule (Unaudited)
June 30, 2005

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes				
Property	$ 68,000	$ 68,000	$ 69,382	$ 1,382
Sales and use	52,000	62,000	60,034	(1,966)
Other	-	-	4,200	4,200
Licenses and permits	4,600	4,600	7,291	2,691
Intergovernmental	50,000	50,000	48,240	(1,760)
Charges for services	159,000	188,500	131,897	(56,603)
Rental income	15,000	29,000	30,154	1,154
Miscellaneous revenue	5,000	3,100	18,894	15,794
Interest earnings	2,000	1,950	3,460	1,510
Total revenues	355,600	407,150	373,552	(33,598)
Expenditures:				
General government	239,500	335,420	241,334	94,086
Public safety	71,000	71,000	64,879	6,121
Streets and public works	45,500	80,500	80,485	15
Parks and recreation	10,500	9,500	8,412	1,088
Total expenditures	366,500	496,420	395,110	101,310
Excess of revenues over (under) expenditures	(10,900)	(89,270)	(21,558)	67,712
Other financing sources:				
Transfers in	5,650	15,000	21,169	6,169
Excess of revenues and other sources over (under) expenditures and other uses	(5,250)	(74,270)	(389)	73,881
Fund balance at beginning of year	101,554	101,554	101,554	-
Fund balance at end of year	$ 96,304	$ 27,284	$101,165	$ 73,881

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

The Honorable Mayor and
Members of the Town Council
Mantua, Utah 84324

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Mantua, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town of Mantua's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mantua, Utah's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our 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 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.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a few matters involving the internal control over financial reporting that we have reported to management of Mantua Town in a separate letter dated November 30, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Audit Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of Mantua, Utah, in a separate letter dated November 30, 2005.

This report is intended solely for the information of management, the Town Council, and the various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Davis & Bott

Davis & Bott
Certified Public Accountants, L.C.

Brigham City, Utah
November 30, 2005

Davis & Bott
Certified Public Accountants, L.C.

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AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and
Members of the Town Council
Mantua Town
Mantua, Utah 84324

We have audited the financial statements of Mantua, Utah, for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; 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, 2005. The Town received the following major State assistance program from the State of Utah:

* B & C Road Funds (Utah Department of Transportation)
* Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grant, which was not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the Town's financial statements.)

* Fire Department Grant (Department of Natural Resources)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

* Public Debt
* Cash Management
* Purchasing Requirements
* Budgetary Compliance
* Truth in Taxation & Property Tax Limitations
* Liquor Law Enforcement
* Justice Courts
* B & C Road Funds

* Uniform Building Code Standards
* Other General Issues
* Impact fees

The management of Mantua, Utah, is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our 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 we 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 Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Mantua, 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, 2005.

Davis & Bott

Davis & Bott
Certified Public Accountants, L.C.

Brigham City, Utah
November 30, 2005

MANTUA TOWN

Letter of Recommendations

June 30, 2005

Davis & Bott
Certified Public Accountants, L.C.
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The Honorable Mayor and Town Council
Mantua Town
Mantua, Utah 84324

We have audited the financial statements of Mantua, Utah, for the year ended June 30, 2005, and have issued our report thereon dated November 30, 2005. As part of our examination, we made a study and evaluation of the Town's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Town's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Mantua, Utah, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Mantua, Utah, taken as a whole.

However, our study and evaluation disclosed the following reportable or agreed-upon conditions we believe result in a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Mantua, Utah, may occur and not be detected within a timely period:

CURRENT RECOMMENDATIONS

1. VALUATION OF ASSETS

Issue - The Town does not have a current procedure for monitoring and valuing assets that developers are required to give to the Town. This can result in improper timing of the receipt of these items as well as their improper valuation.

Recommendation - We recommend the Town develop a system of monitoring and valuing donations from developers.

Response - The Town will develop a procedure for monitoring and valuing these donations.

2. FINANCIAL DATA BACKUP

Issue - The Town currently backs up their financial information at irregular intervals and stores the backup information in the Town Hall. If the Town Hall were destroyed, the backup would also be lost. This can result in a loss of financial information.

Recommendation - We recommend the Town perform backups of financial information on a regular basis and that these backups be kept off site to increase the likelihood the information would be available if needed.

Response - The Town will backup financial information on a regular basis and will keep the backups off site.

PRIOR RECOMMENDATIONS

1. EXPENDITURES IN EXCESS OF BUDGET

Issue - The General Government Department of the general fund had expenditures in excess of budget of $8,148. This is a violation of state law.

Recommendation - We recommend budgets be properly adopted and adjusted, or the expenditures be properly controlled to ensure that expenditures remain within budget.

Response - The Town will work harder at keeping expenditures within budget.

Current Status - All expenditures for the current year are within budget.

2. COURT TRUST FUNDS

Issue - The Mantua Court receives money in trust for restitution or fine payments. These funds have not been reconciled on a regular basis. This could result in these funds not being properly distributed.

Recommendation - We recommend that monies in trust be reconciled on a regular basis.

Response - The Town will reconcile the trust funds on a regular basis.

Current Status - The trust funds are now being reconciled on a monthly basis.

3. SEGREGATION OF DUTIES

Issue - Mantua Town has insufficient segregation of duties due to the small size of the entity.

Recommendation - We recommend the Town look at the cost versus the benefit of improving the segregation of duties.

Response - The Town will implement this recommendation.

Current Status - Segregation of duties is still inadequate.

CONCLUSION

The matters discussed herein have been brought to the attention of responsible Town personnel during the course of our examination. As a result, many of these recommendations are either being implemented or are under consideration at the time of issuance of this letter.

We wish to take this opportunity to express our thanks and appreciation for the courtesy and assistance extended to us by your personnel during our audit work.

We welcome the opportunity to discuss further any points mentioned herein. We feel that proper implementation of these suggestions will improve internal controls and protect the Town's assets.

Davis + Bott

Davis & Bott
Certified Public Accountants, L.C.

November 30, 2005
Brigham City, Utah