FIELDING TOWN

Financial Statements

For the Year Ended June 30, 2006

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Fielding Town
Fielding, Utah

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fielding Town, Utah (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. My responsibility is to express opinions 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 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 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 November 20, 2006, on my consideration of the Town's internal control over financial reporting and over tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my 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 read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 9 and on page 25, 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. I 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, I did not audit the information and express no opinion on it.

MATTHEW REGEN, CPA, PC

Matthew Regen CPA PC

November 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Fielding Town (the Town), 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, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section. As this is the first year that formal financial statements have been prepared, we were unable to compare current financial data with past performance. In future years a comparative analysis of government-wide financial data will be presented.

FINANCIAL HIGHLIGHTS

- The net assets of the Town as of June 30, 2006 total $403,693.
- The total net assets of the Town consist of $275,816 in capital assets, net of related debt, $14,255 in restricted net assets and $113,622 in unrestricted net assets.
- The total long-term liabilities of the Town increased by $103,000 during the fiscal year ending June 30, 2006.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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.

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. However, there will also be a need to consider other non-financial factors.

  The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. 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 (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town include general government, public safety, parks and recreation, and public works. The government-wide financial statements can be found on pages 11 and 12 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

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 also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 effect of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The Town has no non-major funds.

- **Proprietary funds** - Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town currently has no proprietary funds.

- **Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by $403,693.

By far, the largest portion of the Town's net assets (69 percent) reflect its investment in capital assets (e.g., land, buildings and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Assets and the Statement of Activities.

STATEMENT OF NET ASSETS

		Governmental Activities
Current and other assets	$	159,585
Capital assets		378,816
Total assets		538,401
Current liabilities		39,857
Noncurrent liabilities		94,851
Total liabilities		134,708
Invested in capital assets, net of debt		275,816
Restricted		14,255
Unrestricted		113,622
Total net assets	$	403,693

CHANGES IN NET ASSETS

	Governmental Activities
Revenues:	
Sales taxes	41,608
Property taxes	12,144
Intergovernmental revenue	34,889
Licenses and permits	3,964
Franchise taxes	1,832
Other revenues	10,639
Total revenues	105,076
Expenses:	
General government	27,364
Public safety	24,523
Streets and public improvements	30,803
Total expenses	82,690
Change in net assets	22,386
Net assets – beginning (07-01-05)	381,307
Net assets – ending (06-30-06)	$ 403,693

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of $127,877. Of this total amount $113,622 constitutes unreserved fund balance, which is available to meet the future financial needs of the Town. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for road maintenance.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 53 percent of total general fund revenues. The two largest elements of taxes are sales taxes and property taxes. Combined they represent 97 percent of total tax revenues and 52 percent of total general fund revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was $78,100. The actual revenue was $96,669. This resulted in a favorable variance of $18,569 for revenue. The General Fund budget for expenditures was $101,300. The actual expenditures totaled $191,491. This resulted in an unfavorable variance of $90,191 for expenditures. Overall, the Town had an unfavorable variance for the excess of expenditures over revenues of $71,622.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The Town's investment in capital assets for its governmental activities as of June 30, 2006, amounts to $378,816 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and equipment. The increase in the Town's investment in capital assets for the current fiscal year was $346,296 and depreciation expense was $12,495.

Major capital assets purchased during the fiscal year included the following:

- $331,201 for the new town hall and fire department.
- $15,095 for land.

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term liabilities – At June 30, 2006, the Town had total long-term liabilities of $103,000, which consists of a capital lease through Zions Bank used to finance a portion of the construction of the new town hall and fire department.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Fielding Town, P.O. Box 68, Fielding, Utah, 84311.

BASIC FINANCIAL STATEMENTS

FIELDING TOWN
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets	
Cash	$ 145,578
Receivables, net	14,007
Capital assets:	
Furniture and equipment	129,112
Land	19,095
Buildings	346,201
Accumulated depreciation	(115,592)
Total assets	538,401
Liabilities	
Accounts payable	31,708
Noncurrent liabilities:	
Due within one year	8,149
Due in more than one year	94,851
Total liabilities	134,708
Net Assets	
Investment in capital assets, net of related debt	275,816
Restricted for roads and improvements	14,255
Unrestricted	113,622
Total net assets	$ 403,693

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues			Change in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental activities:					
General government	$ 27,364	-	-	-	$ (27,364)
Public safety	24,523	-	4,000	-	(20,523)
Streets and public improvements	30,803	-	-	-	(30,803)
Total primary government	$ 82,690	-	4,000	-	(78,690)
General revenues:					
Taxes					55,585
Licenses and permits					3,964
Intergovernmental revenue					30,889
Investment income					9,663
Other revenues					975
Total general revenues					101,076
Change in net assets					22,386
Net assets - beginning					381,307
Net assets - ending					$ 403,693

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

Assets		General Fund	Capital Projects Fund	Total Governmental Funds
Cash	$	53,741	91,837	145,578
Receivables, net		14,007	-	14,007
Total assets		67,748	91,837	159,585
Liabilities and Fund Equities				
Liabilities:				
Accounts payable		31,708	-	31,708
Total liabilities		31,708	-	31,708
Fund equity:				
Reserved fund balance		14,255	-	14,255
Unreserved fund balance		21,785	91,837	113,622
Total fund equity		36,040	91,837	127,877
Total liabilities and fund equity	$	67,748	91,837	159,585

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balance for governmental fund		$ 127,877
Net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Buildings	$ 346,201	
Furniture and equipment	129,112	
Land	19,095	
Accumulated depreciation	(115,592)	378,816
Proceeds from a capital lease are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, capital leases increase long-term liabilities and does not affect the statement of activities.		
Proceeds from capital lease		(103,000)
Net assets of governmental activities		$ 403,693

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

		General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Taxes	$	55,585	-	55,585
Licenses and permits		3,964	-	3,964
Intergovernmental		34,889	-	34,889
Investment income		1,256	8,407	9,663
Other revenues		975	-	975
Total revenues		96,669	8,407	105,076
Expenditures:				
General government		35,467	-	35,467
Public safety		110,125	-	110,125
Streets and public improvements		30,804	225,000	255,804
Parks and recreation		15,095	-	15,095
Total expenditures		191,491	225,000	416,491
Excess (deficiency) of revenues over expenditures		(94,822)	(216,593)	(311,415)
Other financing sources:				
Capital lease		103,000	-	103,000
Net change in fund balance		8,178	(216,593)	(208,415)
Fund balance - beginning of year		27,862	308,430	336,292
Fund balance - end of year	$	36,040	91,837	127,877

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balance - Total governmental funds	$	(208,415)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $346,296 exceeded depreciation expense of $12,495 in the current year.		333,801
Proceeds from capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, capital leases increase long-term liabilities and do not affect the statement of activities.		
Proceeds from capital lease		(103,000)
Change in net assets of governmental activities	$	22,386

The accompanying notes are an integral part of these financial statements.

FIELDING TOWN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Fielding Town (the Town) was incorporated in 1911 under the laws of the state of Utah. The Town operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration.

The accounting and reporting policies of the Town relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The Town has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements.

The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund 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. However, there will also be a need to consider other non-financial factors.

- *The statement of activities* presents information showing how the Town's net assets changed during the fiscal year reported. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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. The Town has a single fund category – governmental.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

- The Capital Projects Fund is used to account for financial resources to be used for the acquisition of capital facilities and equipment by the Town.

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Box Elder County assesses all taxable property other than centrally-assessed property, which is assessed through the State, by May 22 of each year. The Town must adopt a final tax rate prior to June 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or $10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

Capital Assets

Capital assets, which include buildings and equipment, are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the Town's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Equipment	7 to 15 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Use of 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 reported period. Actual results could differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date of three months or less.

Equity Classifications

Equity in the financial statements is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

- Restricted net assets – Consists of net assets with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation. The Town utilizes restricted net assets, before unrestricted net assets, to finance qualifying activities.

- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 2 – Deposits

The Town follows the requirements for the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This Act requires the depositing of Town's 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 Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. The uninsured and uncollateralized portion of the Town's bank balances was $45,578 on June 30, 2006.

Note 3 – Capital Assets

Capital asset changes occurring for the year ended June 30, 2006, are as follows:

		July 1, 2005	Additions	Deletions	June 30, 2006
Governmental Activities:					
Capital assets not being depreciated:					
Land	$	4,000	15,095	-	19,095
Total capital assets not being depreciated		4,000	15,095	-	19,095
Capital assets being depreciated:					
Equipment		129,112	-	-	129,112
Buildings		15,000	331,201	-	346,201
Total capital assets being depreciated		144,112	331,201	-	475,313
Accumulated depreciation for:					
Equipment		(95,597)	(8,883)	-	(104,480)
Buildings		(7,500)	(3,612)	-	(11,112)
Total accumulated depreciation		(103,097)	(12,495)	-	(115,592)
Total capital assets being depreciated, net		41,015	318,706	-	359,721
Total capital assets, net	$	45,015	333,801	-	378,816

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

General government	$	1,656
Public safety		10,839
Total depreciation expense	$	12,495

Note 4 – Long-term Liabilities

Capital Lease – Governmental Activities

The Town entered into a capital lease agreement with Zions Bank to provide financing for the construction of the Town Hall/Fire Department. The agreement requires that the Town lease assets to Zions Bank for $1 annually, who then subleases the assets back to the Town. The Town borrowed $103,000, the maximum allowed by the agreement, which will be repaid in semi-annual installments of $6,619.64 which includes interest at 5.04 percent. The lease agreement can be renewed annually but has a maximum term of ten years.

Long-term liability transactions for the year ended June 30, 2006, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	$ -	103,000	-	103,000	8,149

The following is a schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments on June 30, 2006:

Year Ending June 30,	Totals
2007	$ 13,239
2008	13,239
2009	13,239
2010	13,239
2011	13,239
2012-2016	66,196
Net minimum lease payments	132,391
Less amount representing interest	(29,391)
Present value of net minimum Lease payments	$ 103,000

On June 30, 2006, the cost of assets financed by capital leases recorded in the governmental activities was $103,000 and the accumulated depreciation was $1,030.

Note 5 – Restricted Net Assets/Reserved Fund Balance

Restricted net assets/reserved fund balance represent amounts required to be maintained to satisfy third party agreements or legal requirements. On June 30, 2006 restricted net assets/reserved fund balance totaled $14,255, which is required by the state to be used for road maintenance and improvements.

Note 6 – Legal Compliance – Budgets

On or before the first scheduled Town council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changes by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statue requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 7 – Related Party Transaction

Circle C Construction, Inc., owned by Charles Earl, the Town's mayor, received $80,222 from the Town for building products and construction services during the fiscal year ending June 30, 2006. Circle C Construction was selected by the Town Council to assist in the construction of the town hall/fire department in the fall of 2005, prior to Charles Earl being elected Mayor.

Note 8 – Subsequent Event

After the date of this financial statement, the old fire department building was sold for $25,005.

REQUIRED SUPPLEMENTARY INFORMATION

FIELDING TOWN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

		Budget			Variance Favorable
		Original	Final	Actual	(Unfavorable)
Revenues:					
Taxes	$	43,100	43,100	55,585	12,485
Licenses & permits		1,000	1,000	3,964	2,964
Intergovernmental revenue		33,100	33,100	34,889	1,789
Investment income		-	-	1,256	1,256
Other revenues		900	900	975	75
Total revenues		78,100	78,100	96,669	18,569
Expenditures:					
General government		21,115	21,115	35,467	(14,352)
Public safety		27,285	27,285	110,125	(82,840)
Streets and public improvements		50,000	50,000	30,804	19,196
Parks and recreation		2,900	2,900	15,095	(12,195)
Total expenditures		101,300	101,300	191,491	(90,191)
Excess (deficiency) of revenues over expenditures		(23,200)	(23,200)	(94,822)	(71,622)
Other financing sources (uses):					
Transfers in		23,200	23,200	103,000	(79,800)
Total other financing sources		23,200	23,200	103,000	(79,800)
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	$	-	-	8,178	(151,422)
Fund balance - beginning of year	$			27,862	
Fund balance - end of year	$			36,040	

See Independent Auditor's Report.

FIELDING TOWN
NOTE TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2006

Expenditures in Excess of Budget

The following departments of the general fund had expenditures in excess of budget for the year ended June 30, 2006: General Government, Public Safety, and Parks and Recreation.

GOVERNMENTAL AUDIT REPORT

MATTHEW REGEN, CPA, PC

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Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Honorable Mayor and Town Council
Fielding Town
Fielding, Utah

I have audited the financial statements of Fielding Town (the Town) as of and for the year ended June 30, 2006 and have issued my report thereon dated November 20, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, 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 statements 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*. However, I noted certain matters that I reported to management of the Town in a separate letter dated November 20, 2006.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Company's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the 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 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 would consider to be material weaknesses.

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

MATTHEW REGEN, CPA, PC

Matthew Regen CPA PC

November 20, 2006

STATE COMPLIANCE REPORT

MATTHEW REGEN, CPA, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LEGAL COMPLIANCE REQUIREMENTS

To the Honorable Mayor and Town Council
Fielding Town
Fielding, Utah

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fielding Town, Utah (the Town), for the year ended June 30, 2006, and have issued my report thereon dated November 20, 2006. As part of my audit, I have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and 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, 2006. The Town received the following major assistance programs from the State of Utah:

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

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
C Road Funds
Special Districts
Other General Compliance Issues
Department of Commerce

Management of the Town is responsible for the Town'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 auditing standards generally accepted in the United States of America 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 Town'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 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 Town 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 ending June 30, 2006.

Matthew Regen, CPA, PC

Matthew Regen CPA PC

November 20, 2006

MATTHEW REGEN, CPA, PC

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November 20, 2006

To the Honorable Mayor and Town Council
Fielding Town
Fielding, Utah

In planning and performing my audit of the financial statements of Fielding Town (the Town) for the year ended June 30, 2006, I observed certain matters related to compliance, internal control structure (other than "reportable conditions") and certain administrative and operating matters. My observations and recommendations are summarized below.

1. Finding: *Budgetary Compliance* - Expenditures exceeded their appropriations in several of the Town's departments.

   Recommendation: I recommend that you monitor each department's budget more closely and adopt budget changes as necessary.

   Management response: Each department will monitor their budgets more closely and budgets will be adjusted as required.

2. Finding: *Cash Management* – All public funds must be deposited no later than three days after receipt.

   Recommendation: I recommend that you implement procedures that ensure that all deposits are made timely.

   Management response: We will implement procedures that ensure that all deposits are made timely.

3. Finding: *Fidelity Bond* – The Town's Treasurer must have a fidelity bond in accordance with State guidelines.

   Recommendation: I recommend that you secure a fidelity bond in accordance with Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council.

   Management response: The Town's Treasurer will secure a fidelity bond in accordance with State guidelines.

4. Finding: *Purchasing Policy* – The Town does not have a formal purchasing policy.

Recommendation: I recommend that you adopt a formal purchasing policy in accordance with the State's Uniform Fiscal Procedures Act.

Management response: A purchasing policy will be adopted and implemented for the Town.

5. Finding: *Accounting Policies and Procedures*– The Town does not have formal accounting policies and procedures that provide guidance on collections, budgetary compliance, expenditures, reporting, chart of accounts, etc.

Recommendation: I recommend that you adopt formal accounting policies and procedures that are consistent with those found in the Uniform Accounting Manual for Towns as prepared by the State Auditor.

Management response: Formal accounting policies and procedures will be adopted and implemented for the Town.

6. Finding: *Inadequate Documentation of Meetings*– The minutes that have been prepared for the Town do not adequately document the Town's business during each meeting.

Recommendation: I recommend that you adequately document all Town business during each Town meeting.

Management response: Town personnel will adequately document all Town business during each Town meeting.

In conclusion, I appreciate the assistance of all of the Town personnel who were involved in this audit. I would especially like to recognize Norene Rawlings and Dayle Stimpson for their hard work and cooperation. Thank you for the opportunity to serve you.

Sincerely,

MATTHEW REGEN, CPA, PC

Matt Regen CPA PC