MONA CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005

MONA CITY, UTAH

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YEAR ENDED JUNE 30, 2005

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GOVERNMENT AUDITING STANDARDS REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 40

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

October 19, 2005

Honorable Mayor
Members of the City Council
Mona City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of Mona City, Utah (City) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City'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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of the City at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, of those activities and funds 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 October 19, 2005 on my consideration of Mona City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United State 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.

THE CPA. NEVER UNDERESTIMATE THE VALUE.®

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mona City's basic financial statements. The combing nonmajor fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2005

This document is an overview and analysis of the financial activities of Mona City for the fiscal year ending June 30, 2005. This report classifies the financial activities of Mona City into basically two categories. 1) ***General Governmental activities,*** these refer to general administration, parks, cemetery, streets, planning etc. 2) ***Business-type activities,*** these refer to the operations of water and natural gas. Readers are encouraged to consider the information presented here in conjunction with the financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

- The total net assets of Mona City increased from $3,714,193 to $4,326,270. The governmental net assets increased by $353,983 and the business-type net assets increased by $258,094.

- The total net assets of governmental and business activities is $4,326,270 and is made up of $3,725,700 in capital assets such as land infrastructure and equipment and $600,570 in other net assets. The $600,570 in other assets is made up of $109,375 in capital projects; $136,076 for debt service; $8,486 in a Perpetual Care fund and $346,633 is unrestricted net assets.

- Total long-term liabilities in the business-type activities of the City decreased by $90,750. Mona City does not have any long term debt in government activities.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Mona City's basic financial statements. These statements comprise three different components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes 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 Mona City's finances, in a manner similar to a private-sector business.

• *The statement of net assets* presents information on all of Mona City'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 or not the financial position of Mona City is improving. However, other non-financial factors will also need to be considered.

• *The statement of activities* presents information showing how the City'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 all of the current year's revenues and expenses are taken into account regardless of when cash is received

or paid. Both of the government-wide financial statements distinguish functions of Mona City 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 government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'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. Mona City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

• Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

• Proprietary funds - Mona City maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mona City uses enterprise funds to account for its Water Utility and its Natural Gas Utility. As determined by generally accepted accounting principles, the Water and Gas funds meet the criteria for major fund classification.

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 Mona City, assets exceed liabilities by $4,326,270.

By far the largest portion of Mona City's net assets (86%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

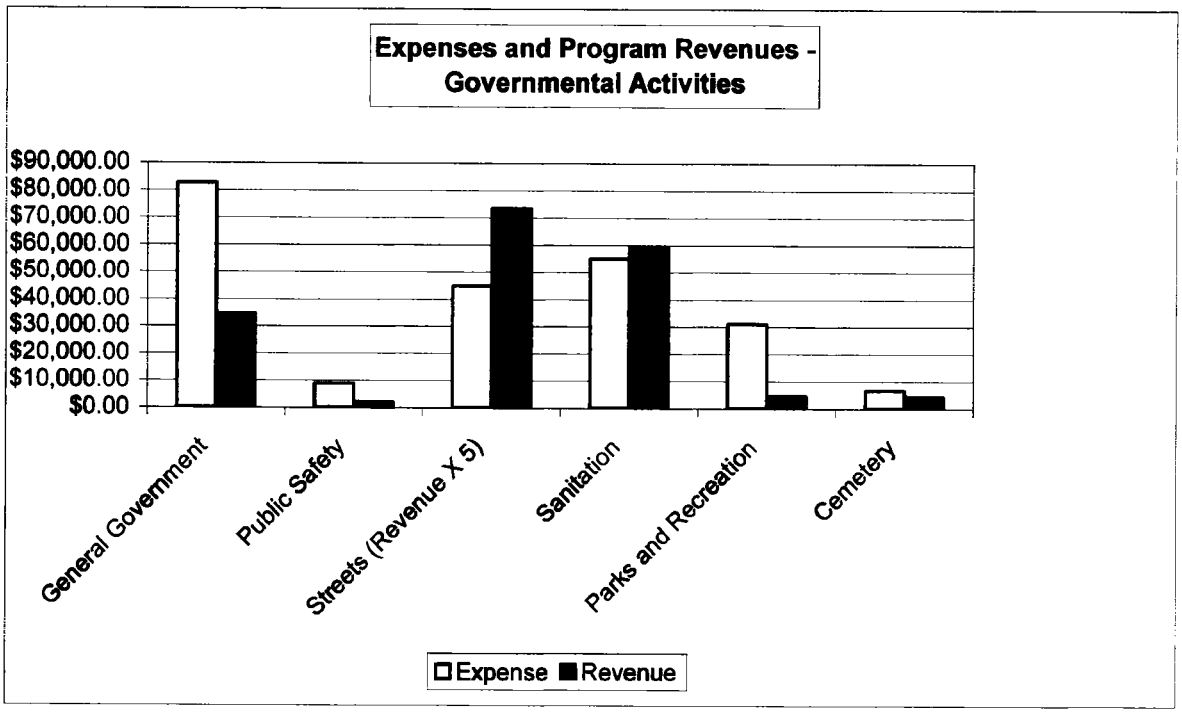
STATEMENT OF NET ASSETS

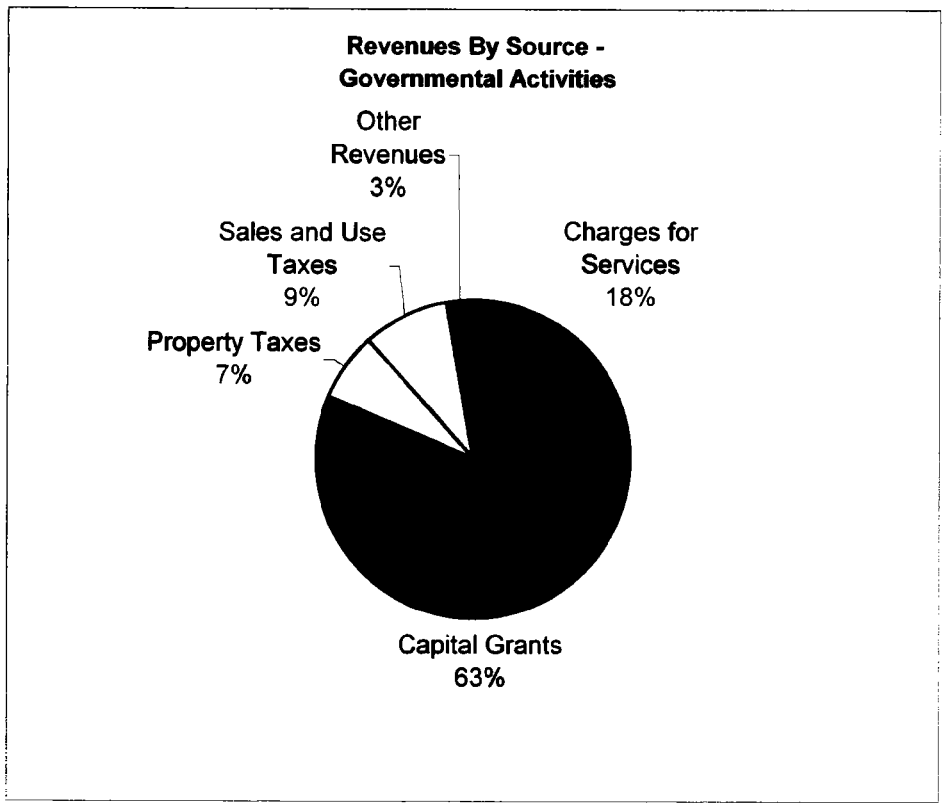
	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Current Assets	$ 163,238	$ 138,810	$ 219,635	$ 162,194
Non-Current Assets	2,720,795	2,395,340	2,308,188	2,199,236
Total Assets	2,884,033	2,534,150	2,527,823	2,361,430
Current Liabilities	5,624	9,724	39,158	41,432
Non-Current Liabilities	-	-	1,040,804	1,130,231
Total Liabilities	5,624	9,724	1,079,962	1,171,663
Net Assets				
Invested in Capital Assets, Net of related Debt	2,665,855	2,327,889	1,059,845	871,995
Restricted for				
Debt Service	-	-	136,076	131,901
Capital Projects	55,534	58,965	53,841	26,612
Permanent Fund- Perpetual Fund	8,486	8,486	-	-
Unrestricted	148,534	129,086	198,099	159,259
Total Net Assets	$2,878,409	$2,524,426	$1,447,861	$1,189,767

CHANGES IN NET ASSETS

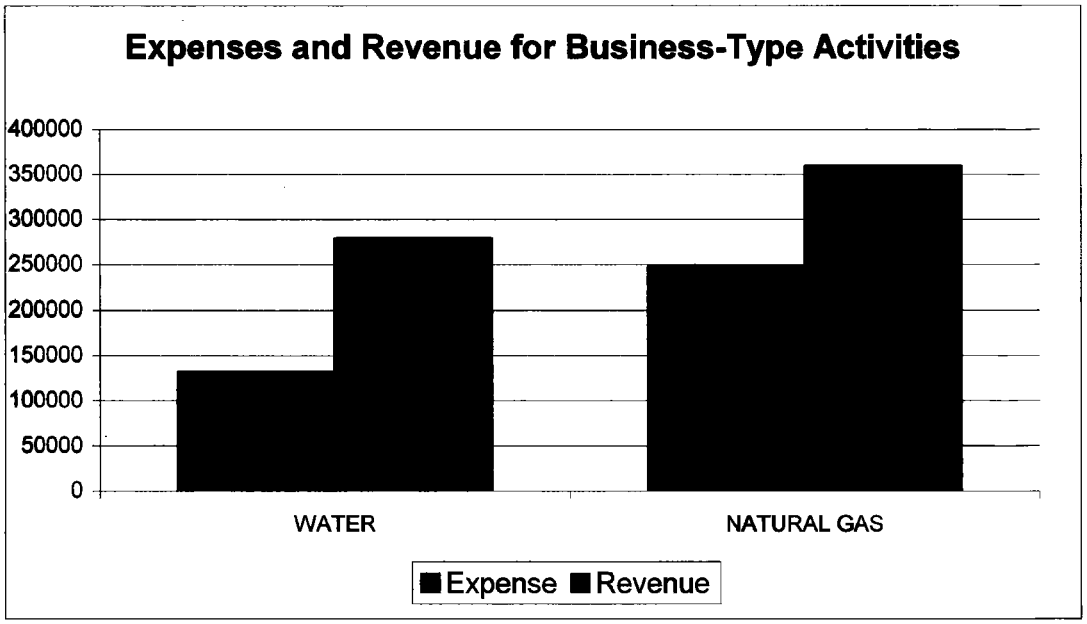
	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Revenues				
Program Revenues:				
Charges for Services	$ 104,683	$ 106,781	$ 472,497	$ 393,789
Operating Grants and Contributions	2,624	475	-	-
Capital Grants and Contributions	367,897	51,475	165,722	42,845
General Revenues:				
Property Taxes	29,911	31,540	-	-
Sales and Use Taxes	51,390	70,849	-	-
Other Taxes	10,569	9,626	-	-
Other Revenues	16,524	6,055	-	73
Total Revenues	583,598	276,801	638,219	436,707
Expenses				
General Government	82,673	68,998	-	-
Sanitation	55,164	52,841	-	-
Public Safety	9,014	13,691	-	-
Streets	44,947	39,942	-	-
Parks & Recreation	31,091	16,862	-	-
Cemetery	6,746	12,479	-	-
Water	-	-	131,658	126,159
Natural Gas	-	-	248,467	232,427
Total Expenses	229,635	204,813	380,125	358,586
Change in Net Assets	353,983	71,988	258,094	78,121
Net Assets – Beginning	2,524,426	2,452,438	1,189,767	753,215
Prior Period Adjustment	-	-	-	358,431
Net Assets – Ending	$2,878,409	$2,524,426	$1,447,861	$1,189,767

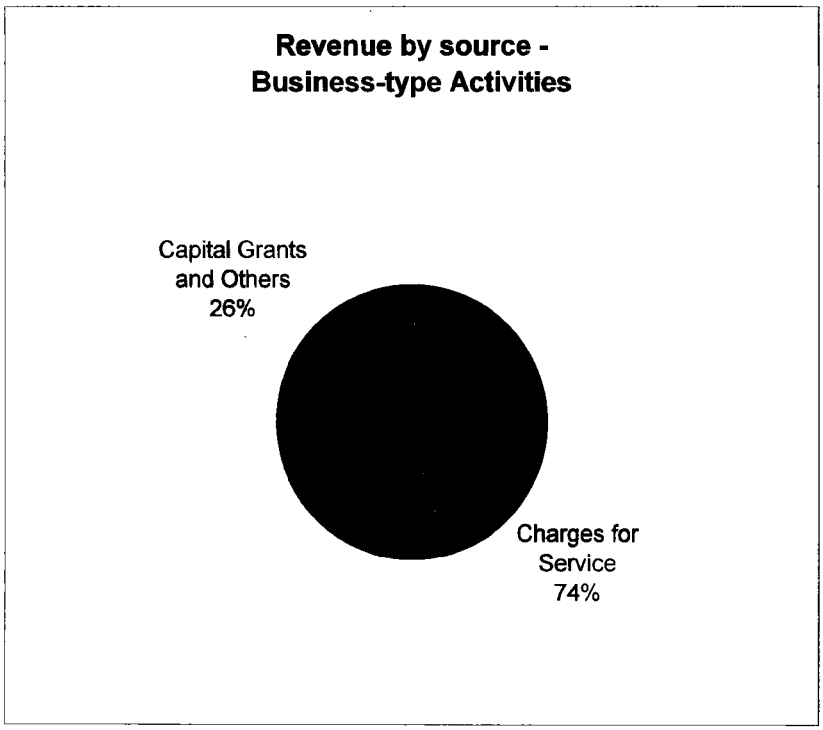
The following graphs display the governmental-wide activities reflected from the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included in the first chart.





The following charts show the relationship between expenses and revenues of the water and gas funds, about one half of the water revenue is from developer contributions. and that the majority of revenues in the Business-Type Activities are from Natural Gas and Water services. (charges for service)





FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2005, the City's governmental funds (General and Permanent) reported combined fund equity of $183,381. General Fund is the chief operating fund of the City. 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 one of the largest single sources of revenue in the General Fund and represent 35.4% of the general fund revenues. The City maintains two enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget amount was not amended from the original budget expenditure of $286,600. There were accounts amended to divert monies to accounts that were over budget. General government was reduced from $96,000 to $90,500; Sanitation was not amended and Public Safety was amended down $5000 while Parks and Recreation was decreased by $8,000 and the Cemetery budget was decreased by $1500.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mona City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $4,784,126 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Improvements and Infrastructure $304,729
- Water Shares and Rights $31,780

MONA CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Land	$ 1,969,019	$ 1,916,019	$ 1,780	$ 1,780
Buildings	91,064	91,064	-	-
System Improvements	837,488	532,759	2,319,163	2,206,405
Machinery & Equipment	15,981	8,981	-	-
Water Shares and Rights	-	-	259,330	227,550
Total	2,913,552	2,548,823	2,580,273	2,435,735
Less Accumulated Depreciation	(247,697)	(220,934)	(462,002)	(414,563)
Net Capital Assets	$ 2,665,855	$2,327,889	$2,118,271	$2,021,172

Long-term debt - At June 30, 2005, the City had total debt outstanding of $1,065,750 of this amount, $294,000 is considered to be general obligation debt and is backed by the full faith and credit of the City. These general obligation bonds were issued specifically for Natural Gas funding and this enterprise fund provides all funding for the bonds' repayment.

MONA CITY'S OUTSTANDING DEBT

	Business-type Activities	
	2004-2005	2003-2004
General Obligation Bonds		
1997 Natural Gas Funding	$ 294,000	$ 310,000
Revenue Bonds		
2000 Water	708,000	729,000
1991 Natural Gas	-	55,000
Notes Payable		
2000 Loan from Mona Irrigation	63,750	67,500
Total	$1,065,750	$1,161,500

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The City is well under what the State statute allows.

Additional information on the outstanding debt obligation of the City can be found in the footnotes of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The major projects budgeted for fiscal year 2006 include: 1) The addition of another storage bay to the office and an addition to the fire station, both of these projects will be funded by Utah Power and Light, 2) Sidewalks through the park, 3) Resurfacing Platt Lane from 3rd East to 550 East, and 4) Get started with work on the Memorial Park.

Mona City's tax rate has been the certified tax rate for many years and is not likely to be changed any time soon.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Mona City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mona City Treasurer
P.O. Box 69
50 West Center
Mona, UT 84645

BASIC FINANCIAL STATEMENTS

MONA CITY, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 117,636	$ 171,666	$ 289,302
Accounts Receivable	45,602	47,969	93,571
TOTAL CURRENT ASSETS	163,238	219,635	382,873
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	54,940	189,917	244,857
Capital Assets			
Non Depreciable	1,969,019	261,110	2,230,129
Depreciable Assets (net of Depreciation)	696,836	1,857,161	2,553,997
TOTAL NONCURRENT ASSETS	2,720,795	2,308,188	5,028,983
TOTAL ASSETS	2,884,033	2,527,823	5,411,856
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	5,624	39,158	44,782
TOTAL CURRENT LIABILITIES	5,624	39,158	44,782
NONCURRENT LIABILITIES			
Due Within One Year	-	70,750	70,750
Due in more than One Year	-	970,054	970,054
TOTAL NONCURRENT LIABILITIES	-	1,040,804	1,040,804
TOTAL LIABILITIES	5,624	1,079,962	1,085,586
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	2,665,855	1,059,845	3,725,700
Restricted for			
Debt Service	-	136,076	136,076
Capital Projects	55,534	53,841	109,375
Permanent Fund-Perpetual Care	8,486	-	8,486
Unrestricted	148,534	198,099	346,633
TOTAL NET ASSETS	$ 2,878,409	$ 1,447,861	$ 4,326,270

See the accompanying notes to the financial statements

MONA CITY, UTAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	$ 82,673	$ 34,506	$ -	$ -
Sanitation	55,164	59,311	-	-
Public Safety	9,014	2,156	2,644	-
Streets	44,947	-	-	367,897
Parks and Recreation	31,091	4,510	-	-
Cemetery	6,746	4,200	-	-
Total Governmental Activities	229,635	104,683	2,644	367,897
Business-type Activities				
Water	131,658	138,025	-	140,722
Natural Gas	248,467	334,472	-	25,000
Total Business-type Activities	380,125	472,497	-	165,722
TOTAL PRIMARY GOVERNMENT	$ 609,760	$ 577,180	$ 2,644	$ 533,619

General Revenues
- Property Taxes
- Vehicle Taxes
- Sales Taxes
- Franchise Taxes
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (48,167)	-	$ (48,167)
4,147	-	4,147
(4,214)	-	(4,214)
322,950	-	322,950
(26,581)	-	(26,581)
(2,546)	-	(2,546)
245,589	-	245,589
-	147,089	147,089
-	111,005	111,005
-	258,094	258,094
245,589	258,094	503,683
29,911	-	29,911
10,382	-	10,382
51,390	-	51,390
187	-	187
11,548		11,548
4,976	-	4,976
108,394	-	108,394
353,983	258,094	612,077
2,524,426	1,189,767	3,714,193
$ 2,878,409	$ 1,447,861	$ 4,326,270

MONA CITY, UTAH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Governmental-type Activities		
	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 77,537	$ 40,099	$ 117,636
Restricted Cash	46,454	8,486	54,940
Accounts Receivable	6,496	-	6,496
Taxes Receivable	30,027	-	30,027
Class C Road Receivable	9,079	-	9,079
TOTAL ASSETS	$ 169,593	$ 48,585	$ 218,178
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	$ 5,624	$ -	$ 5,624
Deferred Revenue	29,173	-	29,173
TOTAL LIABILITIES	34,797	-	34,797
FUND BALANCE			
Reserved			
Class C Roads	55,534	-	55,534
Perpetual Care	-	8,486	8,486
Unreserved	79,262	40,099	119,361
TOTAL FUND EQUITY	134,796	48,585	183,381
TOTAL LIABILITIES AND FUND EQUITY	$ 169,593	$ 48,585	$ 218,178

See the accompanying notes to the financial statements

MONA CITY, UTAH

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES	**$**	**183,381**
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		**2,665,855**
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		**29,173**
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	**$**	**2,878,409**

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental-type Activities		
	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 90,385	$ -	$ 90,385
Licenses and Permits	34,974	-	34,974
Intergovernmental	43,541	-	43,541
Charges for Services	69,709	-	69,709
Interest	11,548	-	11,548
Miscellaneous	4,976	-	4,976
TOTAL REVENUES	255,133	-	255,133
EXPENDITURES			
General Government	88,484	-	88,484
Sanitation	55,164	-	55,164
Public Safety	9,014	-	9,014
Streets	44,680	-	44,680
Parks and Recreation	30,131	-	30,131
Cemetery	13,128	-	13,128
TOTAL EXPENDITURES	240,601	-	240,601
EXCESS OF REVENUES OVER EXPENDITURES	14,532	-	14,532
OTHER FINANCING SOURCES (USES)			
Transfer from Other Fund	-	40,099	40,099
Transfer to Other Fund	(40,099)	-	(40,099)
TOTAL OTHER FINANCING SOURCES (USES)	(40,099)	40,099	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(25,567)	40,099	14,532
BEGINNING FUND BALANCE	160,363	8,486	168,849
ENDING FUND BALANCE	$ 134,796	$ 48,585	$ 183,381

See the accompanying notes to the financial statements

MONA CITY, UTAH

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	$ 14,532
Amounts reported for governmental activities in the statement of activites are different because	
Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues increased by this amount this year.	1,485
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	337,966
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	$ 353,983

See the accompanying notes to the financial statements

MONA CITY, UTAH
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	$ 120,500	$ 120,500	$ 90,385	$ (30,115)
Licenses and Permits	16,950	16,950	34,974	18,024
Intergovernmental	38,480	38,480	43,541	5,061
Charges for Services	70,900	70,900	69,709	(1,191)
Interest	6,000	6,000	11,548	5,548
Miscellaneous	8,000	8,000	4,976	(3,024)
TOTAL REVENUES	260,830	260,830	255,133	(5,697)
EXPENDITURES				
General Government	96,000	90,500	88,484	2,016
Sanitation	60,000	60,000	55,164	4,836
Public Safety	15,600	10,600	9,014	1,586
Streets	60,000	80,000	44,680	35,320
Parks and Recreation	40,000	32,000	30,131	1,869
Cemetery	15,000	13,500	13,128	372
TOTAL EXPENDITURES	286,600	286,600	240,601	45,999
EXCESS OF REVENUES OVER EXPENDITURES	(25,770)	(25,770)	14,532	40,302
FUND BALANCE ALLOCATION	25,770	25,770	-	(25,770)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	$ -	$ -	$ 14,532	$ 14,532

See the accompanying notes to the financial statements

MONA CITY, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 76,316	$ 95,350	171,666
Accounts Receivable	12,699	35,270	47,969
TOTAL CURRENT ASSETS	89,015	130,620	219,635
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	160,414	29,503	189,917
Capital Assets			
Land	1,780	-	1,780
Water Shares and Rights	259,330	-	259,330
Improvements	1,734,030	585,133	2,319,163
Less Accumulated Depreciation	(321,491)	(140,511)	(462,002)
TOTAL NONCURRENT ASSETS	1,834,063	474,125	2,308,188
TOTAL ASSETS	1,923,078	604,745	2,527,823
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	135	21,401	21,536
Accrued Interest Payable	14,903	2,719	17,622
Current Portion of Long-Term Debt	25,750	45,000	70,750
TOTAL CURRENT LIABILITIES	40,788	69,120	109,908
NONCURRENT LIABILITIES			
Notes Payable	60,000	-	60,000
Bonds Payable	686,000	224,054	910,054
TOTAL NONCURRENT LIABILITIES	746,000	224,054	970,054
TOTAL LIABILITIES	786,788	293,174	1,079,962
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	886,996	172,849	1,059,845
Restricted			
Bond Requirements	106,573	29,503	136,076
Impact Fees	53,841	-	53,841
Unrestricted	88,880	109,219	198,099
TOTAL NET ASSETS	$ 1,136,290	$ 311,571	$ 1,447,861

See the accompanying notes to the financial statements

MONA CITY, UTAH

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	Natural Gas	Total Enterprise Funds
OPERATING REVENUES			
Charges for Services	$ 122,150	$ 306,333	$ 428,483
Connection Fees	15,075	24,650	39,725
Miscellaneous	800	3,489	4,289
TOTAL OPERATING REVENUES	138,025	334,472	472,497
OPERATING EXPENSES			
Salaries, Wages and Benefits	10,439	6,571	17,010
Production and Maintenance	50,091	203,438	253,529
Depreciation	36,027	11,412	47,439
TOTAL OPERATING EXPENSES	96,557	221,421	317,978
OPERATING INCOME	41,468	113,051	154,519
NON-OPERATING REVENUES (EXPENSES)			
Impact Fees	75,922	-	75,922
Interest Expense	(35,101)	(27,046)	(62,147)
NET NON-OPERATING REVENUES (EXPENSES)	40,821	(27,046)	13,775
INCOME BEFORE CONTRIBUTIONS	82,289	86,005	168,294
Capital Contributions	64,800	25,000	89,800
CHANGE IN NET ASSETS	147,089	111,005	258,094
TOTAL NET ASSETS AT BEGINNING OF YEAR	989,201	200,566	1,189,767
TOTAL NET ASSETS AT END OF YEAR	$ 1,136,290	$ 311,571	$ 1,447,861

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 135,337	$ 325,815	$ 461,152
Payments to Suppliers	(50,091)	(204,388)	(254,479)
Payments to Employees	(10,439)	(6,571)	(17,010)
NET CASH FLOWS FROM OPERATING ACTIVITIES	74,807	114,856	189,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Impact Fees	75,922	-	75,922
Acquistion of Capital Assets	(54,738)	-	(54,738)
Bond and Note Principal Payments	(24,750)	(64,677)	(89,427)
Interest Expense	(35,543)	(27,928)	(63,471)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(39,109)	(92,605)	(131,714)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,698	22,251	57,949
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	201,032	102,602	303,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 236,730	$ 124,853	$ 361,583

See the accompanying notes to the financial statements

CITY OF MONA, UTAH

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income	$ 41,468	$ 113,051	$ 154,519
Adjustments			
Depreciation	36,027	11,412	47,439
Changes in Assets and Liabilities			
Accounts Receivable	(2,688)	(8,657)	(11,345)
Accounts Payable	-	(950)	(950)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 74,807	$ 114,856	$ 189,663
Noncash Financing and Investing Transactions			
Developer Contributions of Fixed Assets	$ 64,800	$ 25,000	$ 89,800

See the accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Mona City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Mona City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, Treasurer and Recorder

Public Safety: Police and Fire (provided under contract with Juab County), Emergency Medical Services, Planning and Zoning, and Code Enforcement

Public Works: Streets, Water, Sanitation, and Natural Gas Services

Parks and Recreation

Cemetery

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental 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 that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

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

NOTE 1 - (CONTINUED)

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, 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. Property taxes are recognized as revenues 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.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. 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 City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

> The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.
>
> The *natural gas fund* accounts for the activities of the City's natural gas distribution operations.
>
> Activities of these two funds include administration, operations and maintenance of the systems, billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 all enterprise funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

NOTE 1 - (CONTINUED)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

Classification	Range of Lives
Buildings and Structures	20-60 years
Improvements and Infrastructure	20-35 years
Machinery and Equipment	5-20 years

D. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

E. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

F. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Restatement of Fund Balances/Net Assets

Contributed capital previously reported in the enterprise funds is no longer required with the implementation of GASB Statement No. 34 and has been reclassified as net assets.

NOTE 1 - (CONTINUED)

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc.. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	$ 1,969,019
Buildings and Structures	91,064
Improvements and Infrastructure	837,488
Machinery and Equipment	15,981
Less Accumulated Depreciation	(247,697)
Net Capital Asset Difference	$ 2,665,855

Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	$ 29,173

NOTE 2 - (CONTINUED)

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Contributed Capital	$ 327,000
Capital Outlay	37,729
Depreciation Expense	(26,763)
Net Difference	$ 337,966

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

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

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

NOTE 3 - (CONTINUED)

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

At June 30, 2005, the carrying amount and the bank balance of the City's deposits was $41,207 and $85,800, respectively.

Investments

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

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

NOTE 4 - (CONTINUED)

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

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

As of June 30, 2005, the City had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	$ 492,631	$ 410,715	$ 30,706	$ 51,210	$ -

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had $81,916 in Public Treasurer's Investment accounts which were held by the counterparty's trust departments or agents but not in the government's name.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	$ 41,207
Investments	492,631
Cash on Hand	321
Total	$ 534,159
Cash and Cash Equivalents	$ 289,302
Restricted Cash and Cash Equivalents	244,857
Total	$ 534,159

NOTE 5 - RECEIVABLES

Accounts receivable at June 30, 2005 are presented in the schedule below.

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2005 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	$ 6,496	$ 47,969	$ 54,465
Property Taxes Receivable	30,027	-	30,027
Class C Road Receivable	9,079	-	9,079
Total	$ 45,602	$ 47,969	$ 93,571

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	$ 1,916,019	$ 53,000	$ -	$ 1,969,019
Capital Assets being Depreciated				
Buildings and Structures	91,064	-	-	91,064
Improvements and Infrastructure	532,759	304,729	-	837,488
Machinery and Equipment	8,981	7,000	-	15,981
Total	2,548,823	364,729	-	2,913,552
Less Accumulated Depreciation	(220,934)	(26,763)	-	(247,697)
Governmental Activities Capital Assets, Net	$ 2,327,889	$ 337,966	$ -	$ 2,665,855

NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005.

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	$ 1,780	$ -	$ -	$ 1,780
Water Shares and Rights	227,550	31,780	-	259,330
Capital Assets being Depreciated				
Improvements and Infrastructure	2,206,405	112,758	-	2,319,163
Total	2,435,735	144,538	-	2,580,273
Less Accumulated Depreciation	(414,563)	(47,439)	-	(462,002)
Governmental Activities Capital Assets, Net	$ 2,021,172	$ 97,099	$ -	$ 2,118,271

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	$ 2,231
Streets	22,954
Parks and Recreation	960
Cemetery	618
Total Depreciation Expense-Governmental Activities	$ 26,763
Business-type Activities	
Water	$ 36,027
Natural Gas	11,412
Total Depreciation Expense-Business-type Activities	$ 47,439

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	$ 5,624	$ 21,536
Accrued Interest Payable	-	17,622
Total Accounts Payable and Accrued Liabilities	$ 5,624	$ 39,158

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Notes Payable					
2002 Loan from Mona Irrigation	$ 67,500	$ -	$ (3,750)	$ 63,750	$ 3,750
General Obligation Bonds					
1997 Natural Gas Refunding	310,000	-	(16,000)	294,000	45,000
Revenue Bonds					
2000 Water	729,000	-	(21,000)	708,000	22,000
1991 Natural Gas	55,000	-	(55,000)	-	-
	$ 1,161,500	$ -	$ (95,750)	1,065,750	$ 70,750
Unamortized Bond Issuance and Refunding Costs				(24,946)	
				$ 1,040,804	

Long-term debt and obligations payable at June 30, 2005 were as follows:

Business-type Activities	Interest Rate	Maturity Dates	Current Portion	Long-term Balance
Notes Payable				
2002 Loan from Mona Irrigation (original amount--$125,000)	0.00%	2022	$ 3,750	$ 60,000
Bonds Payable				
Natural Gas Utility General Obligation Refunding, Series 1997, Dated December 23, 1997 (original amount --$340,000)	5.15% to 5.55%	2011	45,000	249,000
Water Revenue Bonds, Series 2000, Dated January 1, 2000 (original amount--$786,000)	4.21%	2026	22,000	686,000
Unamortized Bond Issuance and Refunding Costs			-	(24,946)
Total Business-type Activities Long-term Debt			$ 70,750	$ 970,054

NOTE 8 - (CONTINUED)

Principal and interest requirements to retire the City's long-term obligations are as follows:

	Business-type Activities	
	Principal	Interest
2006	$ 70,750	$ 46,124
2007	71,750	42,700
2008	72,750	39,234
2009	77,750	35,713
2010	82,750	31,928
2011-2015	218,750	115,460
2016-2020	195,750	79,316
2021-2025	226,500	38,774
2026	49,000	2,063
	$ 1,065,750	$ 431,312

NOTE 9 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and sewer funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund.

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 11- RELATED PARTY TRANSACTIONS

The Planning Department's secretary for most of the year was the daughter of the Mayor. She was paid wages during the 2005 fiscal year. One Council member's parents are the Treasurer and the Cemetery Sexton/Park Superintendent.

SUPPLEMENTARY INFORMATION

MONA CITY, UTAH

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 40,099	$ -	$ 40,099
Restricted Cash	-	8,486	8,486
TOTAL ASSETS	$ 40,099	$ 8,486	$ 48,585
FUND BALANCE			
Reserved			
Perpetual Care	-	8,486	8,486
Unreserved	40,099	-	40,099
TOTAL FUND EQUITY	$ 40,099	$ 8,486	$ 48,585

MONA CITY, UTAH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES			
Charges for Services	$ -	$ -	$ -
TOTAL REVENUES	-	-	-
EXPENDITURES			
Cemetery	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-
OTHER FINANCING SOURCES			
Transfer from Other Fund	40,099	-	40,099
TOTAL OTHER FINANCING SOURCES	40,099	-	40,099
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	40,099	-	40,099
BEGINNING FUND BALANCE	-	8,486	8,486
ENDING FUND BALANCE	$ 40,099	$ 8,486	$ 48,585

STATE COMPLIANCE REPORT

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

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

October 19, 2005

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

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of the City of Mona, Utah, as of and for the year ended June 30, 2005 and have issued my report thereon dated October 19, 2005. As part of my audit, I have audited the City of Mona's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

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

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

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

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

I conducted my audit in accordance with 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 City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

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

In my opinion, the City of Mona, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

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

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

October 19, 2005

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

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of Mona, Utah, as of and for the year ended June 30, 2005, which collectively comprise Mona Utah's basic financial statements and have issued my report thereon dated October 19, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mona City, Utah'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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Mona City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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 caused by error or fraud 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions mentioned above is a material weakness.

Compliance

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

This report is intended solely for the information of the Audit Committee, others within the organization, management, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

CITY OF MONA

MANAGEMENT LETTER
JUNE 30, 2005

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2005

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

Council Members:

The primary purpose of my audit of the financial statements of the City of Mona, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

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

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

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

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

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

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

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

THE CPA. NEVER UNDERESTIMATE THE VALUE.®

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - GENERAL FUND BALANCE EXCEEDS LIMIT

The State requires cities to maintain their general fund balances between 5% and 18% of the budgeted general fund revenues. For the 2005 fiscal year, Mona was required to maintain their general fund balance between $12,800 and $46,000. The actual general fund balance at the end of the 2005 fiscal year was $79,262.

RECOMMENDATION

You should find a use for the excess general fund balance during the 2005 fiscal year. It can either be used for a 2005 project or it can be moved to a capital project fund and earmarked for a future project.

RESPONSE - MONA CITY

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

INTERNAL CONTROL FINDINGS

FINDING - PAST DUE UTILITY ACCOUNTS

The City's past due utility accounts receivable balance has climbed dramatically this year. Of the total receivable at June 30, 2005, 71% was over 30 days past due. The most serious aspect of this is that 25% of the outstanding receivables was more than 90 days past due. In 2000, the outstanding receivables more than 90 days past due was only 3% of the total receivables due.

RECOMMENDATION

The City has a strict shut-off policy which is not being followed. The policy is to shut-off service to anyone who is more than 60 days past due. If this policy were being followed, the outstanding balance of utility accounts receivable would be brought into better control. I recommend that the City Council ensure that the City's policy be strictly followed.

RESPONSE - MONA CITY

We will strictly follow the Mona City shut-off policy.

FINDING - MOTIONS REQUIRED FOR CONTRACT APPROVAL

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

RECOMMENDATION

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

RESPONSE - MONA CITY

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

FINDING - COMPUTER BACKUPS

The CD drive in the desktop computer stopped working several months ago. No backups have been done since that time. Computer hard drives occasionally fail. If this happened to you when no backup was available, the loss of data could be devastating.

RECOMMENDATION

Whether you fix the broken CD drive or purchase a new backup system, I strongly recommend that backups be done again as soon as possible.

RESPONSE - MONA CITY

The City has purchased a new backup system and will make regular backups.

RESOLVED PRIOR YEAR FINDINGS

FINDING - INADEQUATE TREASURER'S BOND

The State requires a governmental entity's treasurer to be bonded for a minimum amount which is based on the government's budgeted revenues. The City's budgeted annual revenues for 2004 were approximately $830,000. This level of revenues would require the City's treasurer to be bonded for about $58,000. The treasurer was bonded for $50,000.

RECOMMENDATION

I recommend that you increase bonding coverage for the treasurer. It may be best to raise the coverage higher than $58,000 in anticipation of future increases in gross revenues.

RESPONSE - MONA CITY

The treasurer was bonded for the additional amount.

FINDING - NO WRITTEN PURCHASING POLICY MANUAL

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

RECOMMENDATION

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

RESPONSE - MONA TOWN

We investigated the purchasing policy manual recommended. We adopted the necessary policies and made a manual.

FINDING - RE-READING OF METERS

In my reading of your council meeting minutes I discovered that some problems with misread meters still occurred in 2004. It is important to read the meters correctly so that no citizen gets bills for services which were not provided and so that no citizen receives services for which they do not pay.

RECOMMENDATION

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

RESPONSE - MONA CITY

We have taken care to ensure that meters are read correctly the first time.

FINDING - REVIEW OF INVOICES PRIOR TO PAYMENT

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

RECOMMENDATION

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

RESPONSE - MONA CITY

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

FINDING - TRIAL BALANCE CHANGED AFTER AUDIT WAS STARTED

Changes were made to the 2004 trial balance on the City's Quickbooks system after the year was closed.

RECOMMENDATION

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

RESPONSE - MONA CITY

We have not made any changes prior to June 30 of the year being audited once the audit was begun.

MONA CITY
HOME OF MAJESTIC MT. NEBO

Mona City
P.O. Box 69
Mona, UT 84645
Phone 623-4913

Feb. 14, 2006

Utah State Auditor
Austin G. Johnson, CPA
Utah State Capital Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, UT 84114-2310

This letter is to inform you of our action plan to correct the problem of having too large of a fund balance in our general fund at the end of fiscal year 2005.

We did make an effort to comply for 2005 by setting aside $40,000 in a fund for a future capital project. We have set aside an additional amount in order to comply for the 2005 fiscal year. We will also review our 2006 budget at the end of May 2006 and make adjustments as needed in order to be in compliance for this fiscal year.

Sincerely,

Bryce Lynn
Mayor