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

MT. PLEASANT CITY

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2005

	Starting on Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Budgetary Comparison Schedule	19
PROPRIETARY FUNDS	
Statement of Net Assets	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	21
Statement of Cash Flows	22
NOTES TO THE FINANCIAL STATEMENTS	24
SUPPLEMENTARY INFORMATION	
COMBINING FUND STATEMENTS	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
STATE LEGAL COMPLIANCE REPORT	
INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	46
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*	48

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INDEPENDENT AUDITOR'S REPORT

October 27, 2005

Honorable Mayor
Members of the City Council
Mt. Pleasant 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 Mt. Pleasant 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, each major fund, and the aggregate remaining fund information, 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 27, 2005 on my consideration of Mt. Pleasant 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mt. Pleasant City's basic financial statements. The combining nonmajor fund statements listed 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 DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Mt. Pleasant City for the fiscal year ending June 30, 2005. Mt. Pleasant City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, public safety, streets, planning, etc, while business-type activities refers to operations such as the sewer, water, power and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Mt. Pleasant City decreased by $61,081 totaling $11,615,182. The governmental net assets increased by $90,725 and the business-type assets decreased by $151,806.

- The total net assets of governmental and business-type activities is $11,615,182 and is made up of $9,972,507 in capital assets, such as land, infrastructure and equipment, and $1,642,675 in other net assets. The $1,642,675 in other net assets is made up of $464,033 which is restricted for community improvements such as street improvement projects and the Redevelopment Agency. $596,583 is restricted for debt service primarily for the water, sewer, power and irrigation fund bonded debt as well as the Community Center. Finally, the remaining $582,059 is unrestricted assets.

- Total long term liabilities of the City decreased by $157,507. The long term debt for governmental activities increased by $105,227. The business-type activities long term debt also decreased by $262,734.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Mt. Pleasant City's basis financial statements. Mt. Pleasant City's basis financial statements comprise three 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 basis financial statements.

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

- The *statement of net assets* presents information on all of Mt. Pleasant 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 the financial position of Mt. Pleasant City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *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 Mt. Pleasant 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 13-15 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. Mt. Pleasant City also used 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 concerted 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 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. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- Proprietary funds - Mt. Pleasant City maintains two types of propriety funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Mt. Pleasant City uses enterprise funds to account for its Pressurized Irrigation Utility, Water and Sewer Utility, Power Utility funds. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water, sewer and power funds meet the criteria for major fund classification.

Additionally, the City reports the following fund types:

- Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

- Internal Service Funds account for internal and shared services provided to other departments of the City on a cost-reimbursement basis.

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 Mt. Pleasant City, assets exceed liabilities by $11,615,182.

By far the largest portion of Mt. Pleasant City's net assets (85.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that are 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 cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

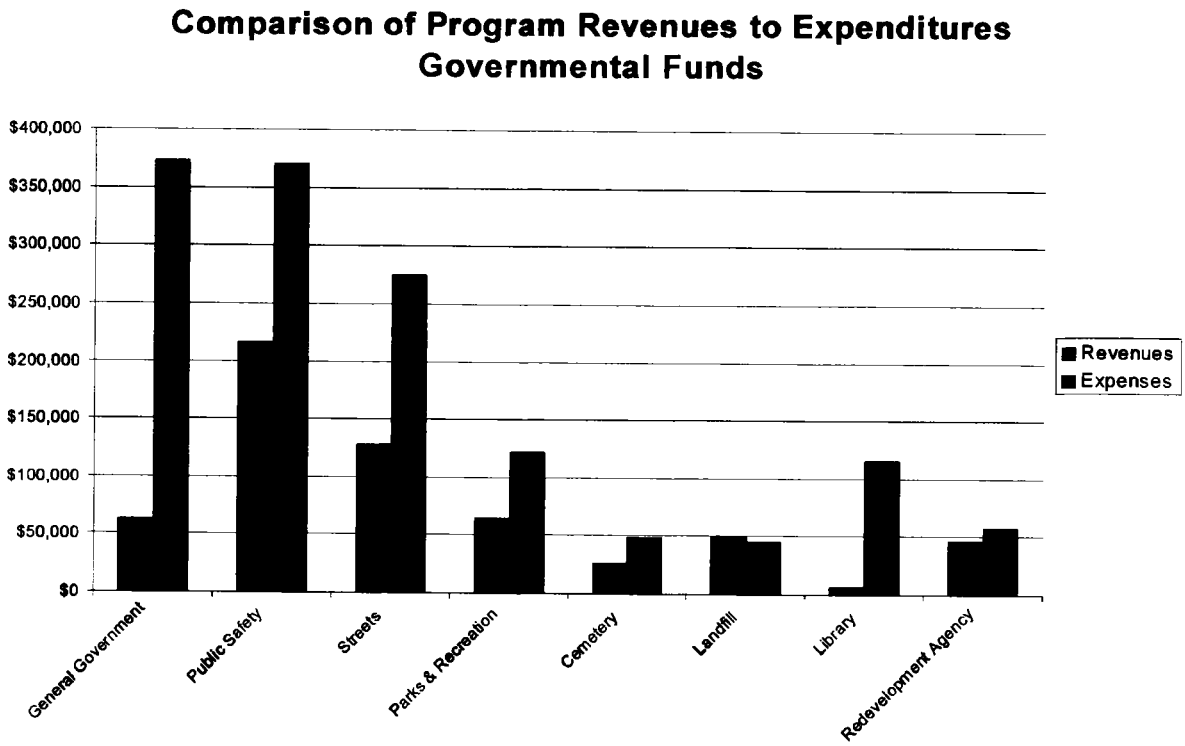
	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Current Assets	$ 455,488	$ 389,424	$ 573,493	$ 762,527
Non-Current Assets	5,034,684	4,883,707	11,062,609	11,288,613
Total Assets	5,490,172	5,273,131	11,636,102	12,051,140
Current Liabilities	121,404	100,315	136,211	141,997
Non-Current Liabilities	596,183	490,956	4,657,294	4,914,740
Total Liabilities	717,587	591,271	4,793,505	5,056,737
Net Assets				
Invested in Capital Assets Net of Related Debt	4,122,526	4,427,597	5,849,981	5,661,902
Restricted	484,548	540,417	576,068	681,895
Unrestricted	165,511	(286,154)	416,548	650,606
Total Net Assets	$ 4,772,585	$ 4,681,860	$ 6,842,597	$ 6,994,403

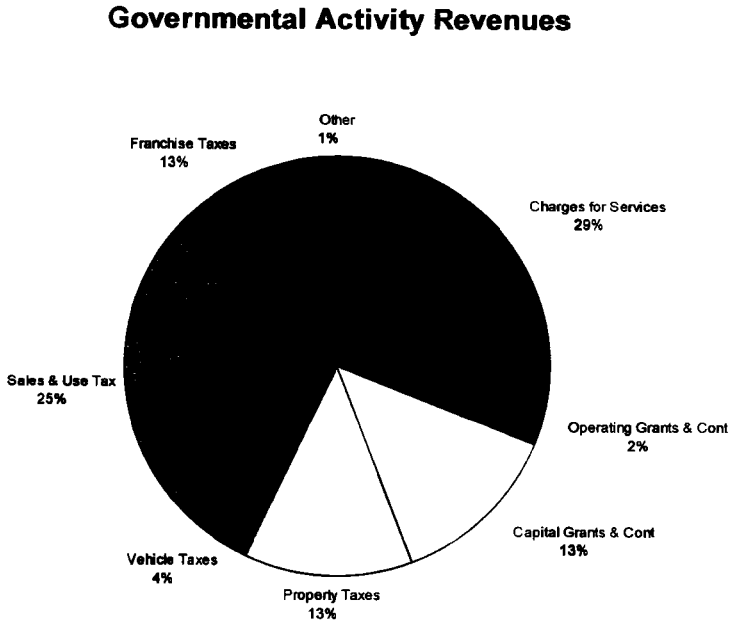
CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Revenues				
Program Revenues				
Charges for Services	$ 392,323	$ 443,981	$ 2,187,030	$ 2,151,711
Operating Grants & Cont	32,323	84,623		
Capital Grants & Cont	181,267	276,007	32,425	23,007
General Revenues				
Property Taxes	173,854	197,094		
Vehicle Taxes	53,902	59,602		
Sales & Use Tax	341,996	277,959		
Franchise Taxes	180,188	162,289		
911 Taxes		4,553		
Other	3,455	4,798		
Interest	8,924	14,384	15,173	7,990
Total Revenues	1,368,232	1,525,290	2,234,628	2,182,708
Expenses				
General Government	372,333	408,021		
Public Safety	370,138	382,600		
Streets	275,024	254,524		
Parks & Recreation	122,150	213,272		
Cemetery	48,193	25,112		
Landfill	44,682	44,653		
Library	115,678	111,218		
Redevelopment Agency	57,540	65,378		
Interest on Long Term Debt	12,754	10,649		
Water			466,065	385,203
Electric			1,675,254	1,257,408
Irrigation			104,130	104,999
Total Expenses	1,418,492	1,515,427	2,245,449	1,747,610
Changes in Net Assets Before Transfers	(50,260)	9,863	(10,821)	435,098
Transfers	140,985	99,249	(140,985)	(99,249)
Changes in Net Assets	90,725	109,112	(151,806)	335,849
Net Assets Beginning	4,681,860	4,521,787	6,994,403	6,290,074
Prior Period Adjustment		50,961		368,480
Net Assets Ending	$ 4,772,585	$ 4,681,860	$ 6,842,597	$ 6,994,403

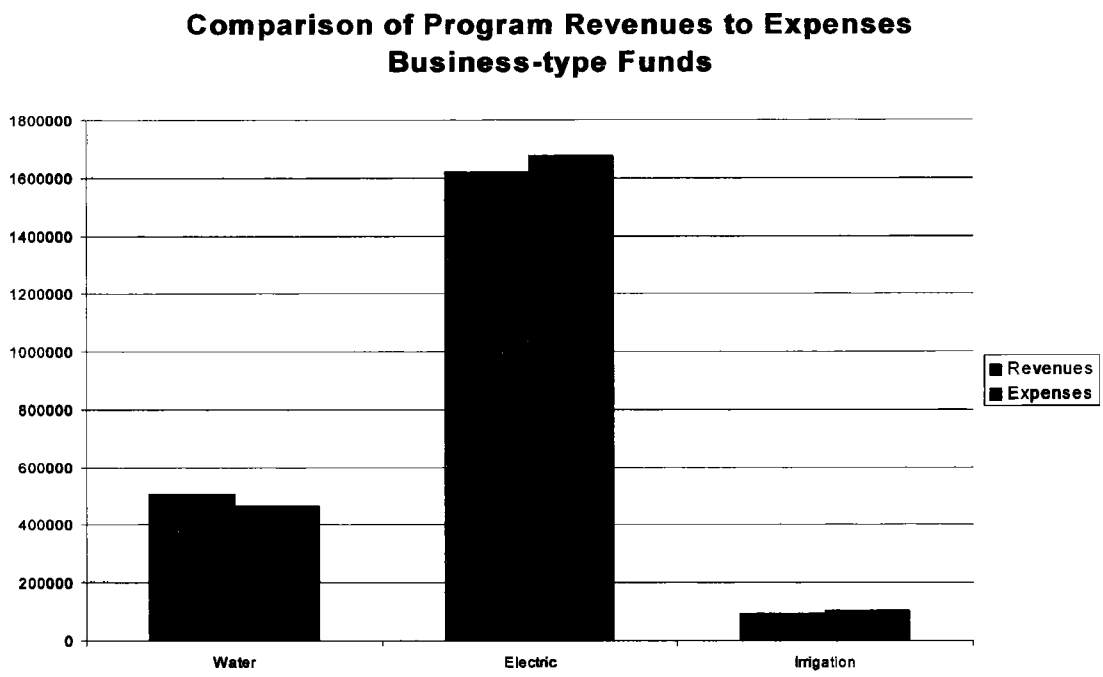
Major financial activities included improving roads in the cemetery. We continue to do water and sewer extension when funding permits. A new boiler and heating system was installed at City Hall.

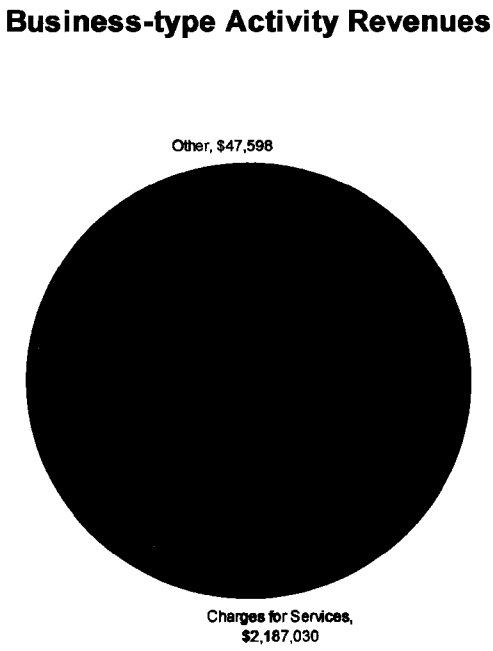
The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charges for specific services performed by the various governmental functions. General revenues such as property taxes, sales and use taxes, etc. are not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





As can be seen from the following charts below, the majority of revenues in the business- type activities are in charges for services with 97.9% of the revenue coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.





FINANCIAL ANALYSIS OF GOVERNMENTAL 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 June 30, 2005, the City's governmental funds, (General, Capital Projects, Debt Service, and Special Revenue) reported combined fund equity of $576,222. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either be state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provides 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 was amended with an increase in expenditures of $33,176 from the original budget expenditure total. Minor changes, including decreases, were made to several accounts to reflect actual revenue or expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mt. Pleasant City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $15,210,078 (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. The total increase in the City's investment in fixed assets for the current year was $76,731.

MT. PLEASANT CITY'S CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Capital Assets Not Being Depreciated				
Land	$ 997,263	$ 997,263	$ 203,488	$ 203,488
Capital Assets Being Depreciated				
Buildings & Structure	1,482,893	1,374,893	56,780	56,780
Improvements & Infra-Structure	4,572,143	4,285,956	14,938,358	14,827,454
Machinery & Equipment & Vehicles	760,273	726,712	810,788	690,444
Less Accumulated Depreciation	(3,089,035)	(2,858,195)	(5,522,873)	(5,171,448)
Net Capital Asset Difference	$ 4,723,537	$ 4,526,629	$ 10,486,541	$10,606,718

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt-At June 30, 2005, the City had total long-term debt outstanding of $5,253,477. Of this amount $143,000 is considered to be a general obligation bond and is backed by the full faith and credit of the City. This general obligation bond was issued to construct the Mt. Pleasant Community/Senior Center in Mt. Pleasant. $1,861,896 is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Sewer Funds, Pressurized Irrigation Fund and Power Fund. $2,927,051 is notes payable for various projects. The City also has equipment lease debt for an asphalt zipper, police cars, trucks, auto read water meter system, etc., totaling $332,253. The remainder of the long-term debt comes from compensated absences and unamortized bond issuance costs and discounts.

MT. PLEASANT CITY'S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
General Obligation Bonds	$ 143,000	$ 152,000	$	$
Revenue Bonds	25,896	34,896	1,836,000	2,094,317
Notes Payable	343,102	193,387	2,583,949	2,687,617
Capital Leases	64,062	87,601	268,191	168,940
Compensated Absences	20,123	23,072		
Total	$ 467,483	$ 490,956	$ 4,688,140	$ 4,950,874

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its taxable value. The City is significantly under this percentage and only has $143,000 outstanding general obligation which was acquired to fund the Mt. Pleasant City Community/Senior Center.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

- The unemployment rate for Sanpete County, (of which Mt. Pleasant City is a part of) was 5.8% compared with a State unemployment rate of 4.5% and a national rate of 5.0%. (Source: Utah Department of Workforce Services

- The major projects for next year include continuing the expansion of the airport and the Industrial Park. The City Council voted to keep the property tax at the same rate of .002570.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Mt. Pleasant City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:
Mt. Pleasant City Recorder
115 West Main
Mt. Pleasant, UT 84647

BASIC FINANCIAL STATEMENTS

MT. PLEASANT CITY
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 80,603	$ 99,101	$ 179,704
Accounts Receivable, Net of Allowance for Uncollectibles	266,733	245,897	512,630
Notes Receivable	210,419	-	210,419
Inventory	-	126,228	126,228
Internal Balances	(102,267)	102,267	-
TOTAL CURRENT ASSETS	455,488	573,493	1,028,981
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	311,147	576,068	887,215
Capital Assets			
Non Depreciable	997,263	203,488	1,200,751
Depreciable Assets (net of Depreciation)	3,726,274	10,283,053	14,009,327
TOTAL NONCURRENT ASSETS	5,034,684	11,062,609	16,097,293
TOTAL ASSETS	5,490,172	11,636,102	17,126,274
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	102,997	126,717	229,714
Deferred Revenues	18,407	9,494	27,901
TOTAL CURRENT LIABILITIES	121,404	136,211	257,615
NONCURRENT LIABILITIES			
Due Within One Year	86,064	396,280	482,344
Due in more than One Year	510,119	4,261,014	4,771,133
TOTAL NONCURRENT LIABILITIES	596,183	4,657,294	5,253,477
TOTAL LIABILITIES	717,587	4,793,505	5,511,092
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	4,122,526	5,849,981	9,972,507
Restricted for			
Community Improvements	104,905	39,927	144,832
Endowments	267,513	-	267,513
Redevelopment Agency	51,688	-	51,688
Debt Service	60,442	536,141	596,583
Unrestricted	165,511	416,548	582,059
TOTAL NET ASSETS	$ 4,772,585	$ 6,842,597	$ 11,615,182

See the accompanying notes to the financial statements

MT. PLEASANT CITY

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	$ 372,333	$ 39,727	$ -	$ 23,306
Public Safety	370,138	162,157	28,861	25,664
Streets	275,024	-	-	127,827
Parks and Recreation	122,150	63,100	-	1,470
Cemetery	48,193	26,560	-	-
Landfill	44,682	49,320	-	-
Library	115,678	5,967	3,462	-
Redevelopment Agency	57,540	45,492	-	3,000
Interest on Long-Term Debt	12,754	-	-	-
Total Governmental Activities	1,418,492	392,323	32,323	181,267
Business-type Activities				
Water	466,065	484,225	-	21,370
Electric	1,675,254	1,606,931	-	10,730
Irrigation	104,130	95,874	-	325
Total Business-type Activities	2,245,449	2,187,030	-	32,425
TOTAL PRIMARY GOVERNMENT	$ 3,663,941	$ 2,579,353	$ 32,323	$ 213,692

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

Transfers

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
$ (309,300)	-	$ (309,300)
(153,456)	-	(153,456)
(147,197)	-	(147,197)
(57,580)	-	(57,580)
(21,633)	-	(21,633)
4,638		4,638
(106,249)		(106,249)
(9,048)		(9,048)
(12,754)	-	(12,754)
(812,579)	-	(812,579)
-	39,530	39,530
-	(57,593)	(57,593)
-	(7,931)	(7,931)
-	(25,994)	(25,994)
$ (812,579)	$ (25,994)	$ (838,573)
173,854	-	173,854
53,902	-	53,902
341,996	-	341,996
180,188	-	180,188
8,924	15,173	24,097
3,455	-	3,455
140,985	(140,985)	-
903,304	(125,812)	777,492
90,725	(151,806)	(61,081)
4,681,860	6,994,403	11,676,263
$ 4,772,585	$ 6,842,597	$ 11,615,182

MT. PLEASANT CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Governmental-type Activities		
	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 41,091	$ 39,512	$ 80,603
Accounts Receivable, net of Allowance for Uncollectibles	266,733	-	266,733
Notes Receivable	-	210,419	210,419
Restricted Cash	20,141	291,006	311,147
TOTAL ASSETS	$ 327,965	$ 540,937	$ 868,902
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	$ 76,800	$ 6,917	$ 83,717
Compensated Absences	20,123	-	20,123
Deferred Revenue	170,433	18,407	188,840
TOTAL LIABILITIES	267,356	25,324	292,680
FUND BALANCE			
Reserved			
Class C Roads	8,447	-	8,447
Community Improvements	-	77,452	77,452
Debt Service	-	60,442	60,442
Impact Fees	-	19,006	19,006
Endowments	-	267,513	267,513
Redevelopment Agency	-	51,688	51,688
Unreserved	52,162	39,512	91,674
TOTAL FUND EQUITY	60,609	515,613	576,222
TOTAL LIABILITIES AND FUND EQUITY	$ 327,965	$ 540,937	$ 868,902

See the accompanying notes to the financial statements

MT. PLEASANT CITY

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

JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES	$	576,222
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.		4,571,570
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		170,433
Two internal service funds are used by management to charge the cost of internal services and shared services. The activities of the internal service funds are included in the governmental activities of the statement of net assets.		(8,514)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.		(537,126)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	4,772,585

See the accompanying notes to the financial statements

MT. PLEASANT CITY

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	$ 717,270	$ 28,263	$ 745,533
Licenses and Permits	11,666	-	11,666
Intergovernmental	180,344	23,306	203,650
Charges for Services	228,126	54,617	282,743
Fines and Forfeitures	97,914	-	97,914
Interest	5,330	3,594	8,924
Miscellaneous	3,455	-	3,455
TOTAL REVENUES	1,244,105	109,780	1,353,885
EXPENDITURES			
General Government	345,740	-	345,740
Public Safety	345,532	-	345,532
Streets	308,998	-	308,998
Parks and Recreation	115,182	-	115,182
Cemetery	48,193	-	48,193
Landfill	44,682	-	44,682
Library	112,944	-	112,944
Redevelopment Agency	-	42,958	42,958
Debt Service			
Principal	-	43,125	43,125
Interest and Finance Charges	-	9,015	9,015
Capital Outlay	-	261,138	261,138
TOTAL EXPENDITURES	1,321,271	356,236	1,677,507
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(77,166)	(246,456)	(323,622)
OTHER FINANCING SOURCES (USES)			
Proceeds from Loan	-	160,000	160,000
Transfers from Other Funds	172,887	76,968	249,855
Impact Fees	-	9,940	9,940
Transfers to Other Funds	(85,012)	(23,858)	(108,870)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	10,709	(23,406)	(12,697)
BEGINNING FUND BALANCE	49,900	539,019	588,919
ENDING FUND BALANCE	$ 60,609	$ 515,613	$ 576,222

See the accompanying notes to the financial statements

MT. PLEASANT CITY

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	$ (12,697)
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.	4,407
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.	219,629
Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items.	(120,929)
Some revenues and expenses reported in the statement of activities do not add to or required the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	315
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	$ 90,725

See the accompanying notes to the financial statements

MT. PLEASANT CITY

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

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	$ 739,929	$ 737,446	$ 717,270	$ (20,176)
Licenses and Permits	11,500	13,500	11,666	(1,834)
Intergovernmental	212,942	230,162	180,344	(49,818)
Charges for Services	226,375	240,675	228,126	(12,549)
Fines and Forfeitures	104,500	122,000	97,914	(24,086)
Interest	5,200	5,200	5,330	130
Miscellaneous	9,378	9,378	3,455	(5,923)
TOTAL REVENUES	1,309,824	1,358,361	1,244,105	(114,256)
EXPENDITURES				
General Government	346,217	367,241	345,740	21,501
Public Safety	413,061	418,834	345,532	73,302
Streets	345,529	342,464	308,998	33,466
Parks and Recreation	112,000	121,551	115,182	6,369
Cemetery	48,000	48,300	48,193	107
Landfill	43,000	44,682	44,682	-
Library	120,799	118,710	112,944	5,766
TOTAL EXPENDITURES	1,428,606	1,461,782	1,321,271	140,511
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(118,782)	(103,421)	(77,166)	26,255
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	173,319	177,319	172,887	(4,432)
Transfers to Other Funds	(115,012)	(108,189)	(85,012)	23,177
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(60,475)	(34,291)	10,709	45,000
FUND BALANCE ALLOCATION	60,475	34,291	-	(34,291)
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	$ -	$ -	$ 10,709	$ 10,709

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ -	$ 55,418	$ 43,683	$ 99,101	$ -
Accounts Receivable, Net of Allowance for Uncollectibles	54,782	181,161	9,954	245,897	-
Due from Other Fund	-	140,959	-	140,959	-
Inventory	-	126,228	-	126,228	-
TOTAL CURRENT ASSETS	54,782	503,766	53,637	612,185	-
NONCURRENT ASSETS					
Restricted Assets					
Cash and Cash Equivalents	259,361	245,862	70,845	576,068	-
Capital Assets					
Land	113,150	87,338	3,000	203,488	-
Buildings	6,890	49,890	-	56,780	166,380
Improvements	6,641,757	7,151,939	1,144,662	14,938,358	-
Machinery and Equipment	364,017	446,771	-	810,788	206,477
Less Accumulated Depreciation	(2,550,233)	(2,450,428)	(522,212)	(5,522,873)	(220,890)
TOTAL NONCURRENT ASSETS	4,834,942	5,531,372	696,295	11,062,609	151,967
TOTAL ASSETS	4,889,724	6,035,138	749,932	11,674,794	151,967
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	3,266	45,519	1,466	50,251	17,495
Customer Deposits	-	48,600	-	48,600	-
Accrued Interest Payable	2,157	18,876	6,833	27,866	-
Due to Other Fund	22,046	-	-	22,046	118,913
Current Portion of Long-Term Debt	201,051	151,403	43,826	396,280	23,166
TOTAL CURRENT LIABILITIES	228,520	264,398	52,125	545,043	159,574
NONCURRENT LIABILITIES					
Deferred Revenues	-	9,494	-	9,494	-
Leases Payable	126,296	99,421	-	225,717	17,553
Notes Payable	30,503	2,043,997	396,643	2,471,143	-
Bonds Payable	964,000	600,154	-	1,564,154	-
TOTAL NONCURRENT LIABILITIES	1,120,799	2,753,066	396,643	4,270,508	17,553
TOTAL LIABILITIES	1,349,319	3,017,464	448,768	4,815,551	177,127
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	3,251,574	2,371,659	178,148	5,801,381	111,248
Restricted					
Community Improvements	34,838	-	5,089	39,927	-
Debt Service	224,523	245,862	65,756	536,141	-
Unrestricted	29,470	400,153	52,171	481,794	(136,408)
TOTAL NET ASSETS	$ 3,540,405	$ 3,017,674	$ 301,164	$ 6,859,243	$ (25,160)

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for Services	$ 458,634	$ 1,527,237	$ 88,287	$ 2,074,158	$ 242,955
Connection Fees	24,591	54,407	7,160	86,158	-
Miscellaneous	1,000	25,287	427	26,714	-
TOTAL OPERATING REVENUES	484,225	1,606,931	95,874	2,187,030	242,955
OPERATING EXPENSES					
Salaries and Benefits	130,401	356,555	45,854	532,810	13,208
Operations	151,121	964,287	10,844	1,126,252	221,547
Depreciation	155,845	170,144	25,437	351,426	22,721
TOTAL OPERATING EXPENSES	437,367	1,490,986	82,135	2,010,488	257,476
OPERATING INCOME (LOSS)	46,858	115,945	13,739	176,542	(14,521)
NON-OPERATING REVENUES (EXPENSES)					
Impact Fees	21,370	10,730	325	32,425	-
Interest Income	6,660	6,330	2,183	15,173	-
Interest Expense	(22,632)	(173,688)	(21,995)	(218,315)	(2,125)
TOTAL NON-OPERATING REVENUES (EXPENSES)	5,398	(156,628)	(19,487)	(170,717)	(2,125)
INCOME BEFORE TRANSFERS	52,256	(40,683)	(5,748)	5,825	(16,646)
Transfers from Other Funds	20,000	-	20,000	40,000	-
Transfers to Other Funds	(78,697)	(102,288)	-	(180,985)	-
CHANGE IN NET ASSETS	(6,441)	(142,971)	14,252	(135,160)	(16,646)
TOTAL NET ASSETS AT BEGINNING OF YEAR	3,546,846	3,160,645	286,912	6,994,403	(8,514)
TOTAL NET ASSETS AT END OF YEAR	$ 3,540,405	$ 3,017,674	$ 301,164	6,859,243	$ (25,160)

Some amounts reported for business-type activities in the statements of net assets are different because the net revenue (expense) of the internal service funds are reported with business-type activities.	(16,646)
Change in Net Assets of Business-type Activities	$ 6,842,597

See the accompanying notes to the financial statements

MT. PLEASANT CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	$ 482,497	$ 1,595,354	$ 95,274	$ 2,173,125	$ 242,955
Payments to Suppliers	(135,473)	(970,337)	(7,742)	(1,113,552)	(205,296)
Payments to Employees	(130,401)	(356,555)	(45,854)	(532,810)	(13,208)
NET CASH FLOWS FROM OPERATING ACTIVITIES	216,623	268,462	41,678	526,763	24,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from Other Fund	-	12,035	-	12,035	-
Due to Other Fund	(2,863)	-	-	(2,863)	(9,172)
Transfers from Other Funds	20,000	-	20,000	40,000	-
Transfers to Other Funds	(78,697)	(102,288)	-	(180,985)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(61,560)	(90,253)	20,000	(131,813)	(9,172)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Long-Term Debt	-	121,844	-	121,844	22,523
Impact Fees	21,370	10,730	325	32,425	-
Acquistion of Capital Assets	(20,657)	(210,591)	-	(231,248)	-
Lease Payments	(22,593)	-	-	(22,593)	(35,276)
Note Payments	(920)	(60,155)	(42,620)	(103,695)	-
Bond Payments	(199,317)	(53,686)	-	(253,003)	-
Interest Expense	(23,620)	(174,215)	(22,690)	(220,525)	(2,526)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(245,737)	(366,073)	(64,985)	(676,795)	(15,279)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	6,660	6,330	2,183	15,173	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	6,660	6,330	2,183	15,173	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,014)	(181,534)	(1,124)	(266,672)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	343,375	482,814	115,652	941,841	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 259,361	$ 301,280	$ 114,528	$ 675,169	$ -

See the accompanying notes to the financial statements

MT. PLEASANT CITY

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Electric	Pressurized Irrigation	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	$ 46,858	$ 115,945	$ 13,739	$ 176,542	$ (14,521)
Adjustments					
Depreciation	155,845	170,144	25,437	351,426	22,721
Changes in Assets and Liabilities					
Accounts Receivable, Net	(1,728)	(22,578)	(600)	(24,906)	-
Inventory	13,286	12,344	1,647	27,277	2,144
Accounts Payable	2,362	(18,394)	1,455	(14,577)	14,107
Customer Deposits	-	3,925	-	3,925	-
Deferred Revenue	-	7,076	-	7,076	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 216,623	$ 268,462	$ 41,678	$ 526,763	$ 24,451

See the accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Mt. Pleasant 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

Mt. Pleasant City is incorporated 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, Justice Court, Treasurer, Recorder Legal, Grounds, Airport, Planning and Zoning

Public Safety: Police, Fire, Ambulance and Animal Control

Public Works: Streets, Water, Sewer, Electric and Irrigation

Parks and Recreation: Celebrations, Parks, Recreation Center and Recreation

Other: Cemetery, Landfill, Library, and Redevelopment Agency

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 funds:

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 *redevelopment agency fund* is a special revenue fund used to account for property tax revenues which will be used for redevelopment projects within the City.

A five member board of trustees composed of the City council governs the Redevelopment Agency of Mt. Pleasant City (RDA). Although it is a legally separate entity from the City, the RDA is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the RDA. Separate financial statements are not issued for the RDA.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the City's water production, treatment and distribution operations and the sewer treatment operations.

NOTE 1 - (CONTINUED)

The *electric fund* accounts for the activities of the City's electric generation and distribution operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

Activities of these three funds include administration, operations and maintenance of the systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all 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.

The City additionally reports the following fund type:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis.

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.

<u>Assets, Liabilities and Fund Equity</u>

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.

NOTE 1 - (CONTINUED)

B. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances".

C. Inventories and prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as an expenditure when used. Proprietary fund inventories are recorded at the lower of cost or market on a weighted-average basis, which approximates the first-in, first-out method.

D. 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.

E. 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 $1000 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.

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

Classification	Range of Lives
Buildings and Structures	20-50 years
Improvements and Infrastructure	20-50 years
Machinery, Equipment and Vehicles	5-20 years

F. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 12 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. No accumulated, unused sick leave will be paid at termination.

NOTE 1 - (CONTINUED)

G. 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 premiums 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.

H. 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.

I. 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.

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.

NOTE 1 - (CONTINUED)

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 and the balance of notes receivable in the redevelopment agency fund 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	$ 997,263
Buildings and Structures	1,316,513
Improvements and Infrastructure	4,572,143
Machinery, Equipment and Vehicles	553,796
Less Accumulated Depreciation	(2,868,145)
Net Capital Asset Difference	$ 4,571,570

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	$ 170,433

NOTE 2 - (CONTINUED)

Internal Service Funds are used by management to charge the costs of internal and shared services to individual funds. The assets and liabilities of these Internal Service Funds are included in the governmental activities on the statement of net assets. However, for the 2005 fiscal year, all charges were made only to enterprise funds, so the current year loss in the internal service funds has been allocated to those enterprise funds.

Buildings	$ 166,380
Machinery and Equipment	206,477
Accumulated Depreciation	(220,890)
Accounts Payable	(17,495)
Due to Other Fund	(118,913)
Leases Payable	(40,719)
Current Year Loss Allocated to the Water and Electric Funds	16,646
Net Difference	$ (8,514)

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	$ (1,785)
Capital Leases	(23,343)
Notes Payable	(343,102)
Bonds Payable	(168,896)
Total Long-Term Liability Difference	$ (537,126)

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:

Capital Outlay	$ 449,747
Depreciation Expense	(230,118)
Net Difference	$ 219,629

NOTE 2 - (CONTINUED)

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Issuance of Note Payable	$ (160,000)
Principal Repayments	
Capital Leases	10,786
Notes Payable	10,285
Bonds Payable	18,000
Net Difference	$ (120,929)

Other Revenue and Expense Differences

The change in accrued interest payable is not reported in the statement of revenues, expenditures and changes in fund balance. The details of this difference is reported below:

Change in Accrued Interest Payable	$ 315

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.

NOTE 3 - (CONTINUED)

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.

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 and natural gas 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

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, $70,855 of the City's bank balances of $170,855 were uninsured and uncollateralized.

At June 30, 2005, the carrying amount and the bank balance of the City's bank deposits was $94,779 and $170,855, respectively.

NOTE 4 - (CONTINUED)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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).

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	$ 822,691	$422,326	$ 159,615	$ 108,460	$ 132,290
U.S. Treasuries	148,532	-	111,061	-	37,471
Total Investments	$ 971,223	$ 422,326	$ 270,676	$ 108,460	$ 169,761

NOTE 4 - (CONTINUED)

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 $148,532 in U.S. Treasury accounts which were held by the counterparty's trust departments or agents but not in the government's name. The City had $400,365 in PTIF accounts which were held by the counterparty's trust departments or agents 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	$ 94,779
Investments	917
Cash on Hand	971,223
Total	$ 1,066,919
Cash and Cash Equivalents	$ 179,704
Restricted Cash and Cash Equivalents	887,215
Total	$ 1,066,919

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts 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	$ 6,224	$ 249,277	$ 255,501
Allowance for Uncollectibles	-	(3,380)	(3,380)
Property Taxes Receivable	191,274	-	191,274
Sales Taxes Receivable	35,078	-	35,078
Class C Roads Receivable	25,232	-	25,232
Franchise Taxes	8,925	-	8,925
Total	$ 266,733	$ 245,897	$ 512,630

NOTE 6 - NOTES RECEIVABLE

The Revelopment Agency issues business and property loans to encourage development within the City. The cemetery perpetual care fund has loaned various amounts to the other departments of the City. The outstanding balances of these loans at June 30, 2005 are as follows:

Redevelopment Agency	
Business Loans	$ 9,403
Property Loans	9,004
Cemetery Trust Fund	192,012
	$ 210,419

NOTE 7 - CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	$ 997,263	$ -	$ -	$ 997,263
Capital Assets being Depreciated				
Buildings and Structures	1,374,893	108,000	-	1,482,893
Improvements and Infrastructure	4,285,956	286,187	-	4,572,143
Machinery and Equipment	726,712	55,561	(22,000)	760,273
Total	7,384,824	449,748	(22,000)	7,812,572
Less Accumulated Depreciation	(2,858,195)	(252,840)	22,000	(3,089,035)
Governmental Activities Capital Assets, Net	$ 4,526,629	$ 196,908	$ -	$ 4,723,537

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	$ 203,488	$ -	$ -	$ 203,488
Capital Assets being Depreciated				
Buildings and Structures	56,780	-	-	56,780
Improvements and Infrastructure	14,827,454	110,904	-	14,938,358
Machinery and Equipment	690,444	120,344	-	810,788
Total	15,778,166	231,248	-	16,009,414
Less Accumulated Depreciation	(5,171,448)	(351,425)	-	(5,522,873)
Business-type Activities Capital Assets, Net	$10,606,718	$ (120,177)	$ -	$10,486,541

NOTE 7 - (CONTINUED)

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

Government Activities	
General Government	$ 26,593
Public Safety	24,606
Streets	154,635
Parks and Recreation	6,968
Library	2,734
Redevelopment Agency	14,582
Internal Service Funds	22,721
Total Depreciation Expense-Governmental Activities	$ 252,839
Business-type Activities	
Water and Sewer	$ 155,845
Electric	170,144
Pressurized Irrigation	25,437
Total Depreciation Expense-Business-type Activities	$ 351,426

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	$ 101,212	$ 50,251
Accrued Interest Payable	1,785	27,866
Customer Deposits	-	48,600
Deferred Revenue	-	9,494
Total Accounts Payable and Accrued Liabilities	$ 102,997	$ 136,211

NOTE 9 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

NOTE 9 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

Year Ending June 30,	Governmental Activities	Business-type Activities
2006	$ 36,579	$ 53,029
2007	26,593	49,558
2008	3,985	49,558
2009	-	49,558
2010	-	49,558
2011-2013	-	55,860
Total Minimum Lease Payments	67,157	307,121
Interest Portion	(3,095)	(38,930)
Present Value of Net Minimum Lease Payments	$ 64,062	$ 268,191

NOTE 10 - 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
Governmental Activities					
Capital Leases					
Asphalt Zipper	$ 34,129	$ -	$ (10,786)	$ 23,343	$ 11,366
Ford and Dodge Trucks - Zions	28,798	-	(19,008)	9,790	9,790
Dodge Durango - Zions	6,674	-	(6,674)	-	-
Ford Crown Victoria - Zions	-	22,523	(3,594)	18,929	7,376
Backhoe - Century Equipment	18,000	-	(6,000)	12,000	6,000
Notes Payable					
General Fund Loan from the Cemetery Fund	31,383	70,000	(880)	100,503	1,129
Olene Walker Trust Fund	162,004	-	(9,056)	152,948	10,096
RDA Loan - Wells Fargo	-	90,000	(349)	89,651	2,184
General Obligation Bonds					
1998 Series	152,000	-	(9,000)	143,000	9,000
Revenue Bonds					
1999 Street Improvement	34,896	-	(9,000)	25,896	9,000
Compensated Absences	23,072	-	(2,949)	20,123	20,123
	$ 490,956	$ 182,523	$ (77,296)	$ 596,183	$ 86,064

NOTE 10 - (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Capital Leases					
Auto-Read Water Meter System	$ 158,932	$ -	$ (15,987)	$ 142,945	$ 16,649
Ford and Dodge Trucks - Zions	10,008	-	(6,606)	3,402	3,402
Altec Digger Derrick	-	121,844	-	121,844	22,423
Notes Payable					
Water/Sewer, Electric and Irrigation Funds Loan from the Cemetery Fund	94,188	-	(2,679)	91,509	-
Department of Agriculture Electric Loan	2,141,723	-	(59,249)	2,082,474	68,980
Division of Finance Irrigation Loan	411,369	-	(38,080)	373,289	39,984
Division of Finance Irrigation Loan	40,337	-	(3,660)	36,677	3,842
Revenue Bonds					
1983 Water	6,317	-	(6,317)	-	-
1991 Water	511,000	-	(37,000)	474,000	36,000
1993A Water	17,000	-	(4,000)	13,000	3,000
1993B Water	26,000	-	(5,000)	21,000	5,000
1993 Water Refunding	83,000	-	(32,000)	51,000	51,000
1993 Sewer Refunding	71,000	-	(71,000)	-	-
1991 and 1993 Water	588,000	-	(44,000)	544,000	44,000
1993 Sewer	42,000	-	-	42,000	42,000
1998 Electric Refunding	375,000	-	(40,000)	335,000	40,000
2001 Electric	375,000	-	(19,000)	356,000	20,000
	$ 4,950,874	$ 121,844	$ (384,578)	4,688,140	$ 396,280
Unamortized Bond Issuance Costs and Discounts				(30,846)	
				$ 4,657,294	

NOTE 10 - (CONTINUED)

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

Governmental Activities	Interest Rate	Maturity Dates	Current Portion	Long-term Balance
Capital Leases Payable				
2003 Asphalt Zipper (original amount--$54,235)	5.25%	2007	$ 11,366	$ 11,977
Ford and Dodge Trucks - Zions (original amount--$98,574)	4.10%	2006	9,790	-
Ford Crown Victoria - Zions (original amount--$22,523)	3.48%	2008	7,376	11,553
Backhoe - Century Equipment (original amount--$30,000)	0.00%	2007	6,000	6,000
Notes Payable				
General Fund Loan from the Cemetery Fund (original amount--$108,811)	4.00%	2025	1,129	99,374
2004 Olene Walker Trust Loan (original amount--$169,352)	1.00%	2020	10,096	142,852
RDA Loan - Wells Fargo (original amount--$90,000)	7.26%	2010	2,184	87,467
Bonds Payable				
General Obligation Bonds, Series 1998 (original amount--$200,000)	3.00%	2018	9,000	134,000
Street Improvement Revenue Bonds, Series 1999 (original amount--$100,000)	3.00%	2008	9,000	16,896
Compensated Absences			20,123	-
Total Governmental Activities Long-term Debt			$ 86,064	$ 510,119

NOTE 10 - (CONTINUED)

Business-type Activities	Interest Rate	Maturity Dates	Current Portion	Long-term Balance
Capital Leases Payable				
Auto-Read Water Meter System (original amount--$181,800)	4.10%	2013	$ 16,649	$ 126,296
Ford and Dodge Trucks - Zions (original amount--$98,574)	4.10%	2006	3,402	-
Altec Digger Derrick (original amount--$121,844)	4.12%	2010	22,423	99,421
Notes Payable				
Water/Sewer, Electric and Irrigation Loan from the Cemetery Fund (original amount--$116,434)	4.00%	2025	-	91,509
Department of Agriculture Electric Loan (original amount--$2,740,000)	5.50%	2023	68,980	2,013,494
Department of Finance Irrigation Loan (original amount--$888,000)	5.00%	2013	39,984	333,305
Department of Finance Irrigation Loan (original amount--$80,000)	5.00%	2013	3,842	32,835
Bonds Payable				
Water Revenue Bonds, Series 1991 (original amount--$917,000)	0.00%	2018	36,000	438,000
Water Revenue Bonds, Series 1993A (original amount--$48,510)	0.00%	2009	3,000	10,000
Water Revenue Bonds, Series 1993B (original amount--$76,490)	0.00%	2009	5,000	16,000
Water Refunding Bonds, Series 1993 (original amount--$323,000)	4.75% to 7.40%	2006	51,000	-
Water Revenue Bonds, Series 1991 and 1993 (original amounts--$863,000 and $125,000)	0.00%	2013	44,000	500,000
Sewer Revenue Bonds, Series 1993 (original amount--$42,000)	6.40%	2006	42,000	-
Electric Refunding Bonds, Series 1998 (original amount--$582,000)	4.20% to 4.70%	2011	40,000	295,000
Electric Revenue Bonds, Series 2001 (original amount--$403,000)	3.90% to 5.40%	2017	20,000	336,000
Unamortized defeasance cost of refunded bonds			-	(30,846)
Total Business-type Activities Long-term Debt			$ 396,280	$ 4,261,014

NOTE 10 - (CONTINUED)

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

	Governmental Activities		Business-type Activities		Government-Wide	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 65,941	$ 16,134	$ 399,629	$ 191,442	$ 465,570	$ 207,576
2007	57,109	14,335	324,860	169,395	381,969	183,730
2008	35,630	12,562	333,433	158,040	369,063	170,602
2009	24,153	11,621	381,447	146,251	405,600	157,872
2010	101,469	11,003	387,925	133,722	489,394	144,725
2011-2015	117,286	19,147	1,472,893	475,093	1,590,179	494,240
2016-2020	94,585	6,359	962,714	230,883	1,057,299	237,242
2021-2025	79,887	1,230	425,239	28,824	505,126	30,054
	$ 576,060	$ 92,391	$ 4,688,140	$ 1,533,650	$ 5,264,200	$ 1,626,041

NOTE 11 - 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 electric funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. These amounts are classified as reserved for community improvements. 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. The fund balance in the redevelopment agency fund has been reserved for redevelopment loans.

NOTE 12 - RETIREMENT PLANS

Plan Description

Mt. Pleasant City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

NOTE 12 - (CONTINUED)

Funding Policy

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Local Government Contributory, and 12.29% to the Public Safety Contributory Retirement Systems, respectively. Mt. Pleasant City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Local Government Contributory, 11.09% to the Local Government Noncontributory, 7.70% to the Public Safety Contributory, and 19.08% to the Public Safety Noncontributory Systems. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Mt. Pleasant City's contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Contributory System, $18,488, $17,049 and $14,669; for the Noncontributory System, $35,802, $27,280, and $21,962; for the Public Safety Noncontributory, $7,710, $6,047, and $5,114; for the Public Safety Noncontributory, $26,858, $21,578, and $18,258, respectively. The contributions were equal to the required contributions for each year.

NOTE 13 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by Jackson Life under the Internal Revenue Code Section 401(k) for the City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 3.35% depending on the employees' contributions. The rate of City participation can be changed by the City council. During the years ended June 30, 2005, 2004, and 2003, contributions totaling $6,317, $5,525,and $5,528, respectively were made to the plan by employees and $26,795, $18,743 and $13,091, respectively by the City.

NOTE 14 - RISK MANAGEMENT

The City is a member of a combined risk management pool consisting of twenty-three (23) member Cities in the State of Utah. Utah Risk Management Mutual Association (URMMA) is a not-for-profit entity created to pool the resources of local governments together to provide low-cost liability and risk insurance. URMMA provides its members with training and legal and technical support in operating the City's risks. An executive board is elected from the members to meet regularly to discuss risk issues and to make recommendations to the rest of the members at the annual meeting. The City is involved with all aspects of controlling and reducing risk with the help of the association. The association provides annual and semi-annual audits on the City's policies and practices as they relate to risk in the workplace and other liability risks that arise.

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

NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	$ 172,887	$ 85,012
Debt Service	40,768	-
Capital Projects	36,200	-
Redevelopment Agency	-	20,000
Permanent Fund	-	3,858
Water	20,000	78,697
Electric	-	102,288
Pressurized Irrigation	20,000	-
	$ 289,855	$ 289,855

NOTE 16 - MT. PLEASANT REDEVELOPMENT AGENCY

The following information is presented as required by the Utah State Code Section 17A-2-1217(3):

1.	The tax increment collected by the agency	$ 28,263
2.	The amount of tax increment paid to Mt. Pleasant City	$ 20,000
3.	The outstanding principal amount of loans incurred to finance the cost associated with the project areas:	$ 242,599
4.	The actual amount expended for:	
	A. Acquisition of property	$ 108,000
	B. Site Improvements	23,658
	C. Installation of public utilities and roads	14,000
	D. Administration costs	5,300
	TOTAL EXPENDED	$ 150,958

SUPPLEMENTARY INFORMATION

MT. PLEASANT CITY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue					Total Nonmajor
	Impact Fees	Redevelop-ment Agency	Capital Projects	Debt Service	Permanent Fund	Govern-mental Funds
ASSETS						
Cash and Cash Equivalents	$ 39,512	$ -		$ -	$ -	$ 39,512
Notes Receivable		18,407		-	192,012	210,419
Restricted Cash	19,006	52,461	83,596	60,442	75,501	291,006
TOTAL ASSETS	$ 58,518	$ 70,868	$ 83,596	$ 60,442	$ 267,513	$ 540,937
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts Payable	$ -	$ 773	$ 6,144	$ -	$ -	$ 6,917
Deferred Revenue	-	18,407	-	-	-	18,407
TOTAL LIABILITIES	-	19,180	6,144	-	-	25,324
FUND BALANCE						
Reserved						
Community Improvements	-	-	77,452	-	-	77,452
Debt Service	-	-	-	60,442	-	60,442
Impact Fees	19,006	-	-	-	-	19,006
Endowments	-	-	-	-	267,513	267,513
Redevelopment Agency	-	51,688	-	-	-	51,688
Unreserved	39,512	-	-	-	-	39,512
TOTAL FUND EQUITY	58,518	51,688	77,452	60,442	267,513	515,613
TOTAL LIABILITIES AND FUND EQUITY	$ 58,518	$ 70,868	$ 83,596	$ 60,442	$ 267,513	$ 540,937

MT. PLEASANT CITY

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

	Special Revenue					Total Nonmajor
	Impact Fees	Redevelop-ment Agency	Capital Projects	Debt Service	Permanent Fund	Govern-mental Funds
REVENUES						
Taxes	$ -	$ 28,263	$ -	$ -	$ -	$ 28,263
Intergovernmental	-	-	23,306	-	-	23,306
Charges for Services	-	45,492	-	-	9,125	54,617
Interest	1,468	1,987	-	-	139	3,594
TOTAL REVENUES	1,468	75,742	23,306	-	9,264	109,780
EXPENDITURES						
Redevelopment Agency	-	42,958	-	-	-	42,958
Debt Service						
Principal	-	9,300	-	29,771	-	39,071
Interest and Finance Charges	-	2,688	-	10,381	-	13,069
Capital Outlay	-	108,000	131,052	22,086	-	261,138
TOTAL EXPENDITURES	-	162,946	131,052	62,238	-	356,236
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,468	(87,204)	(107,746)	(62,238)	9,264	(246,456)
OTHER FINANCING SOURCES (USES)						
Proceeds from Loan	-	90,000	70,000	-	-	160,000
Transfers from Other Funds	-	-	36,200	40,768	-	76,968
Impact Fees	6,940	3,000	-	-	-	9,940
Transfers to Other Funds	-	(20,000)	-	-	(3,858)	(23,858)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,408	(14,204)	(1,546)	(21,470)	5,406	(23,406)
BEGINNING FUND BALANCE	50,110	65,892	78,998	81,912	262,107	539,019
ENDING FUND BALANCE	$ 58,518	$ 51,688	$ 77,452	$ 60,442	$ 267,513	$ 515,613

STATE LEGAL COMPLIANCE REPORT

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

October 27, 2005

Honorable Mayor
Members of the City Council
Mt. Pleasant 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 Mt. Pleasant City, Utah, for the year ended June 30, 2005 and have issued my report thereon dated October 27, 2005. As part of my audit, I have audited Mt. Pleasant City'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)

The City also received the following nonmajor grant which was not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Mt. Pleasant's financial statements.)

Arbor Day Grant
Ambulance Grant
Airport Crack Seal Grant
Library Grant

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

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

The management of Mt. Pleasant City 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.

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

In my opinion, Mt. Pleasant, 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
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(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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 27, 2005

Honorable Mayor
Members of the City Council,
Mt. Pleasant, 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 Mt. Pleasant City, Utah, as of and for the year ended June 30, 2005, and have issued my report thereon dated October 27, 2005. I have 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 Mt. Pleasant 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 Mt. Pleasant'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 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. I also noted other matters involving the internal control over financial reporting that I have reported to Mt. Pleasant's management in a separate letter dated October 27, 2005.

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Compliance

As part of obtaining reasonable assurance about whether Mt. Pleasant City, Utah'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 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, the City's management, others within the organization, 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

MT. PLEASANT, UTAH

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 27, 2005

Honorable Mayor
Members of the City Council
Mt. Pleasant, Utah

Council Members:

The primary purpose of my audit of the financial statements of Mt. Pleasant, 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. I believe it to be a part of my continuing professional responsibility to my clients 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 Mt. Pleasant. 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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE REQUIREMENT FINDINGS

FINDING - GENERAL FUND BALANCE BELOW REQUIRED AMOUNT

The City is required to maintain an unreserved general fund balance of at least 5% of total general fund revenues. The current unreserved general fund balance of $52,162 is approximately $10,000 below the minimum required.

RECOMMENDATION

I recommend that the unreserved general fund balance be brought into compliance with State requirements.

RESPONSE - MT. PLEASANT CITY

We have made progress since last year toward saving the necessary funds to be in compliance. In 2004 we were $98,000 below the minimum required. We will adjust the 2006 budget to bring the unreserved general fund balance in compliance with the State requirement.

FINDING - DEFICIT RETAINED EARNINGS BALANCE IN THE INTERNAL SERVICE FUND

One internal service fund has a deficit balance in retained earnings.

RECOMMENDATION

The City should charge sufficient amounts to the other departments of the City to recoup all of the costs incurred in the internal service funds. Charges for 2005 may need to be increased to offset the deficit from 2004.

RESPONSE - MT. PLEASANT CITY

We have already increased transfer amounts from other funds to offset the deficit.

INTERNAL CONTROL FINDINGS

FINDING - TRIAL BALANCE CHANGED AFTER AUDIT WAS STARTED

Changes were made to the 2005 trial balance on the City's Caselle accounting 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 - MT. PLEASANT CITY

We will not make any changes prior to June 30 of the year being audited once the audit begins. We had some utility cash clearing entries that needed to be made for 2004. Plus it was the first year for the new Recorder and there were some things that she was trying to correct without thinking about how it might impact the audit. It will be much better next year.

FINDING - UTILITY COLLECTIONS

A large percentage of the City's utility collections are considerably late. At June 30, 2005, 12% of the outstanding utility receivables balance was over 90 days past due and 32% was over 30 days past due.

RECOMMENDATION

The City should strictly enforce their utility policy. If this does not resolve the problem with late utility collections, you may need to implement an even stricter policy.

RESPONSE - MT. PLEASANT CITY

We implemented a new utility policy starting November 2005. We will no longer be doing the door hangers warning residents their utilities will be shut off in 24 hours. They will be turned off on the date that appears on the utility billing statement. We have also just signed a new contract with E Partner Net collection agency to go after past due amounts. We have some past due accounts that are going to be turned over to Small Claims Court to see what we can collect. If we use a collection agency it costs the City 33% so we will try to collect some of the larger amounts in Small Claims Court.