Elsinore Town

Sevier County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

Elsinore Town
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June 30, 2006

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Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Elsinore Town
Elsinore, Utah 84724

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elsinore Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Elsinore Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elsinore Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2006, on our consideration of Elsinore Town's internal control over financial reporting and our 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 our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 43 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 18, 2006
Richfield, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Elsinore Town
Management's Discussion and Analysis
June 30, 2006

As management of Elsinore Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2006.

FINANCIAL HIGHLIGHTS

*Total net assets for the Town as a whole increased by $47,966.

*Total unrestricted net assets for the Town as a whole increased by $5,268.

*Total net assets for governmental activities increased by $35,695

*Total net assets for business-type activities increased by $12,271.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Elsinore Town. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 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. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one major governmental fund, the general fund.

The Town adopts an annual appropriated budget for its general and cemetery perpetual care funds A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise fund to account for the operations of the water utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the Town.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

FINANCIAL ANALYSIS

Elsinore Town's Net Assets

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Current and other assets	$ 198,093	154,656	235,849	229,307	433,942	383,963
Net capital assets	465,563	502,719	1,859,473	1,894,029	2,325,036	2,396,749
Total assets	**663,656**	**657,375**	**2,095,322**	**2,123,336**	**2,758,978**	**2,780,712**
Current liabilities	32,929	28,172	83,134	77,801	116,064	105,973
Long-term liabilities	95,000	120,000	1,114,548	1,160,166	1,209,548	1,280,166
Total liabilities	**127,929**	**148,172**	**1,197,682**	**1,237,968**	**1,325,611**	**1,386,139**
Net assets:						
Capital assets, net of debt	345,563	357,719	698,306	665,750	1,043,869	1,023,469
Restricted	110,363	91,594	63,688	69,326	174,051	160,920
Unrestricted	79,800	59,890	135,646	150,287	215,446	210,178
Total net assets	**$ 535,727**	**509,203**	**897,640**	**885,369**	**1,433,367**	**1,394,572**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by $1,433,367, an increase of $47,966 from the previous year. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are $215,446, which represents an increase of $5,268 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

FINANCIAL ANALYSIS (continued)

Elsinore Town's Changes in Net Assets:

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Previous Year
Program revenues:						
Charges for services	$ 10,969	7,707	169,402	169,375	180,371	177,083
Operating grants	37,623	79,807	-	-	37,623	79,807
Capital grants	14,009	83,199	-	-	14,009	83,199
General revenues:						
Property taxes	42,268	38,430	-	-	42,268	38,430
Sales tax	64,469	58,523	-	-	64,469	58,523
Other taxes	14,038	10,531	-	-	14,038	10,531
Other revenues	35,287	36,999	39,580	5,789	74,867	42,788
Total revenues	218,663	315,196	208,983	175,164	427,645	490,360
Expenses:						
General government	50,394	53,015	-	-	50,394	53,015
Public safety	20,407	13,842	-	-	20,407	13,842
Highways and improvements	71,990	67,588	-	-	71,990	67,588
Parks and recreation	40,178	38,697	-	-	40,178	38,697
Interest on long-term debt	-	-	28,117	27,844	28,117	27,844
Water	-	-	168,594	171,620	168,594	171,620
Total expenses	182,968	173,142	196,711	199,465	379,680	372,607
Excess (deficiency) before transfers and contributions	35,695	142,055	12,271	(24,301)	47,966	117,755
Transfers	-	-	-	-	-	-
Change in net assets	$ 35,695	142,055	12,271	(24,301)	47,966	117,755

Total revenues decreased by $62,716, while total expenses increased by $7,067. The total net increase for the year of $47,966 is a decrease from the previous year of $69,782.

Governmental activities revenues of $218,663 is a decrease of $96,419 from the previous year. This is primarily a result of decreased grant revenues. Governmental activities expenses of $182,968 is an increase of $9,942 from the previous year. This is a result of general overall cost increases.

Business-type activities revenue of $208,983 is an increase of $33,818 from the previous year. This is a result of an increase in the amount of water connections during the year. Business-type activities expenses of $196,711 is a decrease of $2,753 from the previous year, due generally to economies effected by the Town.

BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

General Fund

The fund balance of $64,887 reflects an increase of $46,051 from the previous year. Total revenues decreased by $96,961. Tax revenues, including property taxes and sales taxes increased by $13,291. Intergovernmental revenue decreased by $111,375. All other revenues increased by $1,122.

Total expenditures decreased by $106,621. Expenditure changes, by department, excluding capital outlay: administrative decreased by $3,684, public safety (fire and police) decreased by $23,113, parks and recreation increased by $1,383, and streets and highways decreased by $5,308. Total expenditures for capital outlay for all departments decreased by $103,715.

Net assets restricted for class C roads are $41,969.

Water Fund

Amount restricted for debt service and construction is $63,688. Unrestricted net assets amount to $135,646.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of $235,781. This amount was changed in the final budget to $205,263.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of $249,781. This amount was amended in the final budget to $219,263.

CAPITAL ASSET AND DEBT ADMINISTRATION

Elsinore Town's Capital Assets (net of depreciation):

	Governmental Activities		Business-type Activities			
	Current Year	Previous Year	Current Year	Previous Year	Total Current Year	Total Prior Year
Net Capital Assets:						
Land and water rights	$ 33,160	33,160	578,500	578,500	611,660	611,660
Buildings and improvements	52,625	56,175	596,355	612,263	648,980	668,438
Equipment	131,717	129,885			131,717	129,885
Infrastructure	248,062	283,499	684,618	703,266	932,680	986,765
Totals	$465,563	502,719	1,859,473	1,894,029	2,325,036	2,396,749

The total amount of capital assets, net of depreciation, of $2,325,036 is a decrease of $71,713 from the previous year.

Governmental activities capital assets, net of depreciation, of $465,563 is a decrease of $37,156 from the previous year. This amount represents the difference between the amount of assets acquired during the year and the depreciation expense.

Business-type activities capital assets, net of depreciation, of $1,859,473 is a decrease of $34,557 from the previous year. This amount represents the net depreciation expense. There were no additions of property in the proprietary fund.

Additional information regarding capital assets may be found in the notes to financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Elsinore Town's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
Excise Tax Revenue CIB 1998	$ 48,000	64,000
Special Assessment Revenue CIB 1998	72,000	81,000
Total governmental	**120,000**	**145,000**
Business-type activities:		
Water Revenue 1979 RDA	58,167	63,512
Water Revenue 1996 CIB	176,000	187,000
Water Revenue 2003 A BWR	495,000	505,000
Water Revenue 2003 A CIB	432,000	450,000
Total business-type	**1,161,167**	**1,205,512**
Total outstanding debt	**$1,281,167**	**1,350,512**

Additional information regarding the long-term liabilities may be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Elsinore Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Elsinore Town Clerk, P.O. Box 408, Elsinore, UT, 84724.

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BASIC FINANCIAL STATEMENTS

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Elsinore Town
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 128,373	143,807	272,180
Accounts receivable	12,838	22,654	35,492
Special assessments	56,882	-	56,882
Total current assets	198,093	166,461	364,554
Non-current assets:			
Restricted cash and cash equivalents	-	63,688	63,688
Receivables due after one year	-	5,700	5,700
Capital assets:			
Not being depreciated	33,160	578,500	611,660
Net of accumulated depreciation	432,403	1,280,973	1,713,376
Total non-current assets	465,563	1,928,861	2,394,424
Total assets	**$ 663,656**	**2,095,322**	**2,758,978**
LIABILITIES:			
Current Liabilities:			
Accounts payable	$ 7,929	8,110	16,040
Customer security deposits	-	6,600	6,600
Accrued interest payable	-	21,805	21,805
Revenue bonds due within one year	25,000	58,619	83,619
Total current liabilities	32,929	95,134	128,064
Non-current liabilities:			
Revenue bonds due after one year	95,000	1,102,548	1,197,548
Total non-current liabilities	95,000	1,102,548	1,197,548
Total liabilities	**127,929**	**1,197,682**	**1,325,611**
NET ASSETS:			
Invested in capital assets, net of related debt:	345,563	698,306	1,043,869
Restricted:			
Class C roads	41,969	-	41,969
Perpetual Care	68,394	-	68,394
Bond retirement	-	63,688	63,688
Unrestricted	79,800	135,646	215,446
Total net assets	**535,727**	**897,640**	**1,433,367**
Total liabilities and net assets	**$ 663,656**	**2,095,322**	**2,758,978**

The notes to the financial statements are an integral part of this statement.

Elsinore Town
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS:	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue (To Next Page)
Primary government:					
Governmental activities:					
Administration	$ 50,394	6,225	-	14,009	(30,160)
Public safety	20,407	1,044	584	-	(18,779)
Streets and highways	71,990	-	37,039	-	(34,951)
Cemetery	10,867	3,700	-	-	(7,167)
Parks and recreation	29,311	-	-	-	(29,311)
Total governmental activities	**182,968**	**10,969**	**37,623**	**14,009**	**(120,367)**
Business-type activities:					
Water	196,711	183,523	-	-	(13,188)
Total business-type activities	**196,711**	**183,523**	**-**	**-**	**(13,188)**
Total primary government	**$ 379,680**	**194,492**	**37,623**	**14,009**	**(133,555)**

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Elsinore Town
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2006

	Governmental Activities	Business-type Activities	Total
CHANGE IN NET ASSETS:			
Net (expense) revenue (from previous page)	**$ (120,367)**	**(13,188)**	**(133,555)**
General revenues:			
Property taxes	42,268	-	42,268
Franchise tax	13,444	-	13,444
Sales taxes	64,469	-	64,469
Motor carrier tax	594	-	594
Unrestricted investment earnings	11,311	45	11,356
Impact fees	8,529	39,535	48,064
Special assessments	9,171	-	9,171
Uncollectible revenue	-	(14,121)	(14,121)
Miscellaneous	6,275	-	6,275
Total general revenues	**156,062**	**25,459**	**181,521**
Change in net assets	**35,695**	**12,271**	**47,966**
Net assets - beginning	500,032	885,369	1,385,401
Net assets - ending	**$ 535,727**	**897,640**	**1,433,367**

The notes to the financial statements are an integral part of this statement.

Elsinore Town
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Non-Major Perpetual Care Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 59,979	68,394	128,373
Receivables	12,838	-	12,838
Special assessments receivable	56,882	-	56,882
TOTAL ASSETS	**129,698**	**68,394**	**198,093**
LIABILITIES:			
Accounts payable	7,929	-	7,929
Deferred revenues	56,882	-	56,882
TOTAL LIABILITIES	**64,811**	-	**64,811**
FUND BALANCES:			
Reserved for:			
Class C Roads	41,969	-	41,969
Perpetual care	-	68,394	68,394
Unreserved, reported in:			
General fund	22,918	-	22,918
TOTAL FUND BALANCES	**64,887**	**68,394**	**133,282**
TOTAL LIABILITIES AND FUND BALANCES	**$ 129,698**	**68,394**	**198,093**

The notes to the financial statements are an integral part of this statement.

Elsinore Town

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006

	General Fund	Non-major Perpetual Care Fund	Total Governmental Funds
REVENUES:			
Taxes:			
Property	$ 42,268	-	42,268
Sales	64,469	-	64,469
Franchise fees	13,444	-	13,444
Motor carrier	594	-	594
Licenses and permits	5,275	-	5,275
Intergovernmental revenues	51,632	-	51,632
Charges for services	3,894	1,800	5,694
Interest	11,311	-	11,311
Miscellaneous revenue	6,275	-	6,275
Total revenues	**199,162**	**1,800**	**200,962**
EXPENDITURES:			
Current:			
General government	48,081	-	48,081
Public safety	7,364	-	7,364
Highways and public improvements	27,729	-	27,729
Parks, recreation and public property	38,454	-	38,454
Capital outlay	24,184	-	24,184
Debt service:			
Principal	25,000	-	25,000
Total expenditures	**170,812**	**-**	**170,812**
Excess (Deficiency) of Revenues over (Under) Expenditures	**28,350**	**1,800**	**30,150**
Other Financing Sources and (Uses):			
Special assessment fees	9,171	-	9,171
Impact fees	8,529	-	8,529
Total other financing sources and (uses)	**17,701**	**-**	**17,701**
Net Change in Fund Balances	**46,051**	**1,800**	**47,851**
Fund balances - beginning of year	18,837	66,594	85,431
Fund Balances - end of year	**$ 64,887**	**68,394**	**133,282**

The notes to the financial statements are an integral part of this statement.

Elsinore Town

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

June 30, 2006

Total Fund Balances for Governmental Funds	**$ 133,282**
Total net assets reported for governmental activities in the statement are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,105,793
Less accumulated depreciation	(640,230)
Net capital assets	**465,563**
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	**(120,000)**
Certain revenue is deferred in governmental funds but not in the statement of net assets because it qualifies for recognition under the economic resources measurement focus.	
Deferred revenue	**56,882**
Total Net Assets of Governmental Activities	**$ 535,727**

The notes to the financial statements are an integral part of this statement.

Elsinore Town

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	**$ 47,851**
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital outlays	24,184
Depreciation expense	(61,340)
Net	37,156)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Long-term debt principal repayments	**25,000**
Change in Net Assets of Governmental Activities	**$ 35,695**

The notes to the financial statements are an integral part of this statement.

Elsinore Town

STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2006

	Water Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 143,807
Accounts receivable	22,654
Total current assets	166,461
Non-current assets:	
Restricted cash and cash equivalents	63,688
Receivables due after one year	5,700
Capital assets:	
Not being depreciated	578,500
Net of accumulated depreciation	1,280,973
Total non-current assets	1,928,861
Total assets	**$ 2,095,322**
LIABILITIES:	
Current liabilities:	
Accounts payable	$ 8,110
Accrued interest payable	21,805
Customer security deposits	6,600
Revenue bonds, current portion	58,619
Total current liabilities	95,134
Non-current liabilities:	
Revenue bonds, long-term	1,102,548
Total non-current liabilities	1,102,548
Total liabilities	**1,197,682**
NET ASSETS:	
Invested in capital assets, net of related debt	698,306
Restricted for:	
Debt service requirements	63,688
Unrestricted	135,646
Total net assets	**897,640**
Total liabilities and net assets	**$ 2,095,322**

The notes to the financial statements are an integral part of this statement.

Elsinore Town

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

June 30, 2006

	Water Fund
Operating income:	
Water service income	$ 131,693
Water connection fees	5,400
Garbage and landfill fees	46,430
Less uncollectible revenue	(14,121)
Total operating income	**169,402**
Operating expenses:	
Personal services	42,299
Utilities	9,438
Repairs and maintenance	12,099
Other supplies and expenses	10,449
Garbage and landfill costs	43,726
Depreciation expense	34,557
Total operating expense	**152,567**
Net operating income (loss)	**16,835**
Non-operating income (expense):	
Impact fees	39,535
Interest income	45
Interest on long-term debt	(28,117)
Capital grant	(16,027)
Total non-operating income (expense)	**(4,564)**
Change in net assets	**12,271**
Net assets, beginning	885,369
Net assets, ending	**$ 897,640**

The notes to the financial statements are an integral part of this statement.

Elsinore Town
STATEMENT OF CASH FLOWS
For the year ending June 30, 2006

	Water Fund
Cash flows from operating activities:	
Cash received from customers - service	$ 69,563
Cash paid to suppliers	(95,274)
Cash paid to employees	(18,575)
Net cash provided (used) in operating activities	**55,714**
Cash flows from noncapital financing activities:	
Change in customer deposits	860
Net cash provided (used) in noncapital financing activities	**860**
Cash flows from capital and related financing activities:	
Cash from impact fees	39,535
Cash payments for capital assets	-
Cash payment for long-term debt	(44,346)
Cash payments for long-term debt interest	(29,079)
Capital grant	(16,027)
Net cash provided (used) in capital and related financing activities	**(49,917)**
Cash flows from investing activities:	
Cash received from interest earned	45
Net cash provided (used) in investing activities	**45**
Net increase (decrease) in cash	**6,702**
Cash balance, beginning	200,793
Cash balance, ending	**$ 207,495**
Cash reported on the balance sheet:	
Cash and cash equivalents	$ 143,807
Non-current restricted cash	63,688
Total cash and cash equivalents	**$ 207,495**

Continued on next page

The notes to the financial statements are an integral part of this statement.

Elsinore Town
STATEMENT OF CASH FLOWS, continued
For the year ended June 30, 2006

Reconciliation of Operating Income to Net Cash Provided from Operating Activity:

	Water Fund
Net operating income (expense)	**$ 16,835**
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:	
Depreciation and amortization	34,557
Changes in assets and liabilities:	
(Increase) decrease in receivables	160
Increase (decrease) in payables	4,162
Net cash provided in operating activity	**$ 55,714**

The notes to the financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Elsinore Town, (the Town), a municipal corporation located in Sevier County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

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 to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

1-C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The Town reports the following major governmental fund:

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

The Town reports the following as non-major governmental funds:

The *perpetual care fund* accounts for money received for upkeep and perpetual care of cemetery plots.

Proprietary funds

The Town reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water distribution.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-*1. Deposit and Investments*

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-*2. Cash and Cash Equivalents*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-*3. Receivables and Payables*

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the Town by Sevier County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-*4. Restricted Assets*

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

1-E-*5. Inventories and Prepaid items*

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-*6. Capital Assets*

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	**Years**
Water system	50
Infrastructure	25
Vehicles and equipment	5-10

1-E-*7. Long-term Obligations*

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-*8. Fund Equity*

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

None of the Town's funds have deficit balances.

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2006 consist of the following:

	Fair Value
Demand deposits - checking	$ 41,663
Investments - PTIF	294,205
Total cash and investments	**$ 335,868**

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	$ 272,180
Restricted cash and cash equivalents (non-current)	63,688
Total cash and cash equivalents	**$ 335,868**

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

3-A. Deposits and investments (continued)

Deposit and Investment Risk
The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

Credit risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk
Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year are captioned as non-current receivables. Receivables as of year end for the Town's funds are shown below:

	General Fund	Water	Total
Special assessment	$ 56,882	-	56,882
Customers, current	12,838	36,775	49,613
Customers, non-current	-	5,700	5,700
Total receivables	**69,720**	**42,475**	**112,195**
Allowance for uncollectible	-	(14,121)	(14,121)
Net receivables	**$ 69,720**	**28,354**	**98,074**

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	$ 33,160	-	-	33,160
Total capital assets, not being depreciated	**33,160**	-	-	**33,160**
Capital assets, being depreciated:				
Buildings	87,000	-	-	87,000
Improvements other than buildings	30,000	-	-	30,000
Machinery and equipment	222,699	24,184	-	246,883
Infrastructure	708,750	-	-	708,750
Total capital assets, being depreciated	**1,048,449**	**24,184**	-	**1,072,633**
Less accumulated depreciation for:				
Buildings	53,825	2,050	-	55,875
Improvements other than buildings	7,000	1,500	-	8,500
Machinery and equipment	92,814	22,352	-	115,166
Infrastructure	425,251	35,438	-	460,688
Total accumulated depreciation	**578,890**	**61,340**	-	**640,230**
Total capital assets being depreciated, net	**469,559**	**(37,156)**	-	**432,403**
Governmental activities capital assets, net	**$ 502,719**	**(37,156)**	-	**465,563**

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

Governmental Activities:	
General government	$ 2,313
Public safety	13,043
Highways and public improvements	44,260
Parks, recreation and public property	1,724
Total	**$ 61,340**

3-C. Capital assets, continued

Capital asset activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land and water shares	$ 578,500	-	-	578,500
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	**578,500**	-	-	**578,500**
Capital assets, being depreciated:				
Utility system	932,405	-	-	932,405
Buildings and improvements	795,429	-	-	795,429
Equipment	56,326	-	-	56,326
Total capital assets being depreciated	**1,784,160**	-	-	**1,784,160**
Less accumulated depreciation for:				
Utility system	229,139	18,648	-	247,787
Buildings and improvements	183,166	15,909	-	199,074
Equipment	56,326	-	-	56,326
Total accumulated depreciation	**468,631**	**34,557**	-	**503,187**
Total capital assets being depreciated, net	**1,315,529**	**(34,557)**	-	**1,280,973**
Business-type activities capital assets, net	**$1,894,029**	**(34,557)**	-	**1,859,473**

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-Type Activities:	
Water	$34,557
Total	**$34,557**

3-D. Long-term debt

Long-term debt activity for the year was as follows:

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
Governmental activities:							
Excise Tax CIB 1998	$140,000	-	$ 81,000	-	9,000	72,000	9,000
Special Assessment Bond 1998	80,000	-	64,000	-	16,000	48,000	16,000
Total governmental activity long-term liabilities			**$145,000**	**-**	**25,000**	**120,000**	**25,000**

Bond debt service requirements to maturity for governmental activities are as follows:

	Principal	Interest	Total
2007	$ 25,000	0	25,000
2008	25,000	0	25,000
2009	25,000	0	25,000
2010	9,000	0	9,000
2011	9,000	0	9,000
2012-2016	27,000	0	27,000
Total	$120,000	0	120,000

3-D. Long-term debt (continued)

	Original Principal	% Rate	6/30/2005	Additions	Reductions	6/30/2006	Due Within One Year
Business-type activities:							
Water revenue 1979 RDA	$ 68,598	5.00	$ 63,512	-	5,346	58,167	5,619
Water revenue 1996 CIB	198,000	2.50	187,000	-	11,000	176,000	24,000
Water revenue 2003 A BWR	514,000	2.00	505,000	-	10,000	495,000	11,000
Water revenue 2003 A CIB	450,000	2.50	450,000	-	18,000	432,000	18,000
Total business-type activity long-term liabilities			$1,205,512	-	44,346	1,161,167	58,619

All bonds are revenue bonds secured by the revenues of the water system.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	Principal	Interest	Total
2007	$ 58,619	27,581	86,200
2008	47,907	26,323	74,230
2009	50,209	25,026	75,235
2010	51,527	23,668	75,195
2011	53,861	22,274	76,135
2012-2016	293,044	88,819	381,863
2017-2021	267,000	54,065	321,065
2022-2026	244,000	24,700	268,700
2027-2031	95,000	3,880	98,880
Total	$1,161,167	296,337	1,457,503

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

Elsinore Town does not participate in the Utah State Retirement Plan nor does it participate in any other retirement plan.

4-C. Class C Roads

The following is a schedule of receipts and disbursements in Class C roads:

Balance - beginning of year	$ 25,000
Receipts:	
State of Utah	37,039
Interest	775
Total receipts	37,814
Disbursements:	
Bond payments	16,000
Maintenance	4,845
Total disbursements	20,845
Balance - end of year	**$ 41,969**

4-D. Impact Fees

Effective July 1, 1997, the Town adopted an impact fee ordinance for water facilities, fire facilities and park and open spaces. The impact fee for water is recorded in the water fund while the impact fee for fire facilities and parks and open spaces is recorded in the general fund.

New water connections that require 3/4" service line and meter will pay a one-time impact fee of $1,000.

Related to new water connections there will be a one-time fire facilities impact fee of $121 and a parks and open spaces impact fee of $79.

The town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system, or other expenditures as allowed by law. The funds must be expended within six years of receipt or the funds must be returned with interest to the payer.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

For the year ended June 30, 2006, spending for all funds and departments of the Town was within the approved budgets.

Elsinore Town

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND

(Unaudited)

For the Year Ended June 30, 2006

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
Revenues				
Taxes	$ 110,243	121,658	120,775	883
Licenses and permits	4,100	5,250	5,275	(25)
Intergovernmental revenues	101,560	54,694	51,632	3,062
Charges for services	12,188	12,200	21,595	(9,395)
Interest	1,800	8,861	11,311	(2,450)
Miscellaneous revenue	5,890	2,600	6,275	(3,675)
Total revenues	**235,781**	**205,263**	**216,863**	**(11,600)**
Expenditures				
General government:				
Council	9,190	9,190	8,272	918
Administrative	44,857	52,162	43,808	9,961
Public safety	68,840	28,885	21,253	7,632
Highways and public improvements	82,500	82,747	55,229	27,518
Parks and recreation	44,394	46,279	42,249	4,030
Total expenditures	**249,781**	**219,263**	**170,812**	**48,451**
Excess (Deficiency) of Revenues Over (Under) Expenditures	**(14,000)**	**(14,000)**	**46,051**	**(60,051)**
Other Financing Sources and (Uses)				
Transfers				
Total Other Financing Sources and (Uses)	-	-	-	-
Net Change in Fund Balances	**$ (14,000)**	**(14,000)**	**46,051**	**(60,051)**
Fund Balances - beginning of year			18,837	
Fund Balances - end of year			**$ 64,887**	

OTHER REPORTS

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Kimball & Roberts
Certified Public Accountants
A Professional Corporation
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Richfield, Utah 84701
Phone 896-6488

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*

Honorable Mayor and Town Council
Elsinore Town
Elsinore, Utah 84724

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elsinore Town as and for the year ended June 30, 2006, which collectively comprise Elsinore Town's basic financial statements and have issued our report thereon dated August 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elsinore Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Kimball + Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 18, 2006
Richfield, Utah

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
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Richfield, Utah 84701
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AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Elsinore Town
Elsinore, Utah 84724

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Elsinore Town, for the year ended June 30, 2006, and have issued our report thereon dated August 18, 2006. As part of our audit, we have audited Elsinore Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

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

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

Fire Department Grant (State Lands and Forestry)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

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

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, Elsinore Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 18, 2006
Richfield, Utah