MONROE CITY

FINANCIAL STATEMENTS

JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

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 Monroe City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Monroe City'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 Monroe City 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 November 29, 2006, on our consideration of Monroe City '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 6 through 15 and 48 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Monroe City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe City's basic financial statements. The other supplementary information and the combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Monroe City. The other supplementary information and the combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kimball & Roberts

KIMBALL & ROBERTS, P. C.
Certified Public Accountant

November 29, 2006
Richfield, Utah

MONROE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Monroe City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The City's purpose is to provide general services to its residents which includes general government, public safety, highways and public improvements and parks and recreation.

Financial Highlights

* The assets of the City exceeded its liabilities as of the close of the most recent year by $5,386,307 (net assets). Of this amount, $1,536,026 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

* The government's total net assets increased by $222,271. The revenues were more than the adopted budgeted amounts, and expenditures were more than the adopted budgeted amounts.

* At the close of the current year, the City's governmental funds reported ending fund balances of $640,817, an increase of $144,642 in comparison with the prior year. Approximately 84 percent of this total amount, $533,987, is available for spending at the government's discretion (unreserved fund balance).

* At the end of the current year, unreserved fund balance for the general fund was $157,539, or 29 percent of total general fund expenditures.

* The City's total debt decreased by $35,640 during the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *statement of net assets* presents information on all of the 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 the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the 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. The governmental activities of the City include general government, public health, highways and public improvements and parks and recreation. The business-type activities of the City is the enterprise fund, containing water, electric, trash collection and irrigation services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

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

Governmental Funds

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

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

Monroe City maintains two governmental funds, the general fund and capital projects fund.

The City adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Monroe City 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 City uses an enterprise fund to account for its water, electric, sewer, trash collection and irrigation operations.

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

Refer to the table of contents for the location of the basic proprietary fund financial statements.

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 are part of the basic financial statements.

Other Information

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

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 Monroe City, assets exceeded liabilities by $5,386,307 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (64 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Monroe City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	969,227	533,120	1,426,593	2,217,005	2,395,820	2,750,125
Capital Assets	1,564,550	1,648,559	4,218,453	3,238,871	5,783,003	4,887,430
Total Assets	2,533,777	2,181,679	5,645,046	5,455,876	8,178,823	7,637,555
Long-Term Liabilities	154,045	170,871	2,088,597	2,199,878	2,242,642	2,370,749
Other Liabilities	334,410	3,945	215,464	65,825	549,874	69,770
Total Liabilities	488,455	174,816	2,304,061	2,265,703	2,792,516	2,440,519
Net Assets:						
Invested in Capital Assets Net of Related Debt	1,420,550	1,498,559	1,994,792	1,033,993	3,415,342	2,532,552
Restricted	106,830	77,000	328,109	1,196,092	434,939	1,273,092
Unrestricted	517,942	398,304	1,018,084	960,088	1,536,026	1,358,392
Total Net Assets	2,045,322	1,973,863	3,340,985	3,190,173	5,386,307	5,164,036

A portion of the City's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $1,536,026, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's net assets by $71,459.

Monroe City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	108,543	236,574	1,365,325	1,212,647	1,473,868	1,449,221
Operating Grants	217,346	163,090	-	-	217,346	163,090
Capital Grants	-	250,000	-	-	-	250,000
General Revenues:						
Property Taxes	72,601	71,505	-	-	72,601	71,505
Other Taxes	265,212	208,248	-	-	265,212	208,248
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-	-
Impact Fees	-	-	51,000	31,465	51,000	31,465
Unrestricted Investment Earnings	14,077	10,978	52,647	23,554	66,724	34,532
Sale of fixed asset	30,100	-	-	-	30,100	-
Total Revenues	707,879	940,395	1,468,972	1,267,666	2,176,851	2,208,061
Expenses:						
General Government	123,030	133,428	1,251,121	1,092,013	1,374,151	1,225,441
Public Safety	123,873	170,670	-	-	123,873	170,670
Highways	220,776	215,800	-	-	220,776	215,800
Parks and Recreation	164,991	121,702	-	-	164,991	121,702
Interest - Long-Term Debt	3,750	-	67,039	22,331	70,789	22,331
Total Expenses	636,420	641,600	1,318,160	1,114,344	1,954,580	1,755,944
Decrease in Net Assets Before Transfers	71,459	298,795	150,812	153,322	222,271	452,117
Transfers	-	-	-	-	-	-
Increase in Net Assets	71,459	298,795	150,812	153,322	222,271	452,117
Net Assets - Beginning	1,973,863	1,675,068	3,190,173	3,036,851	5,164,036	4,711,919
Net Assets - Ending	2,045,322	1,973,863	3,340,985	3,190,173	5,386,307	5,164,036

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the City's net assets by $150,812. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

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

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. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental funds reported ending fund balance of $640,817 an increase of $144,642 in comparison with the prior year. Approximately 84 percent of this amount, $533,987 constitutes *unreserved fund balance,* which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: 1) highways and public improvements of $106,830.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was $157,539, while total fund balance reached $264,369. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was $1,018,084. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of $688,640, was a reduction of $8,219, and can be summarized as follows:

* $1,500 increase in franchise taxes
* $6,921 increase in state grants
* $92,424 increase in federal grants
* $2,000 increase in interest
* $127,164 decrease in oil and gas lease revenue
* $16,100 increase in miscellaneous revenue

Of the total general fund expenditures, none was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2006, was $1,564,550 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, highways and public improvements.

Significant additions during this fiscal year were a Pickup Truck for $14,250, lawn mowers for $8,827, and sidewalks for $7,283

Monroe City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	257,000	257,000	34,875	34,875	291,875	291,875
Water Shares	-	-	102,533	102,533	102,533	102,533
Infrastructure	596,783	666,000	-	-	596,783	666,000
Buildings	544,123	562,159	1,735,381	730,944	2,279,504	1,293,103
Water & Irrigation System	-	-	2,269,615	2,359,965	2,269,615	2,359,965
Equipment	166,644	163,400	16,626	10,554	183,270	173,954
Total	1,564,550	1,648,559	4,159,030	3,238,871	5,723,580	4,887,430

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had revenue bonds outstanding of $2,308,238.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	144,000	150,000	2,164,238	2,199,878	2,308,238	2,349,878

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the City. The current debt limitation for the City is approximately $6,800,000. The total general obligation debt at year end was $0.

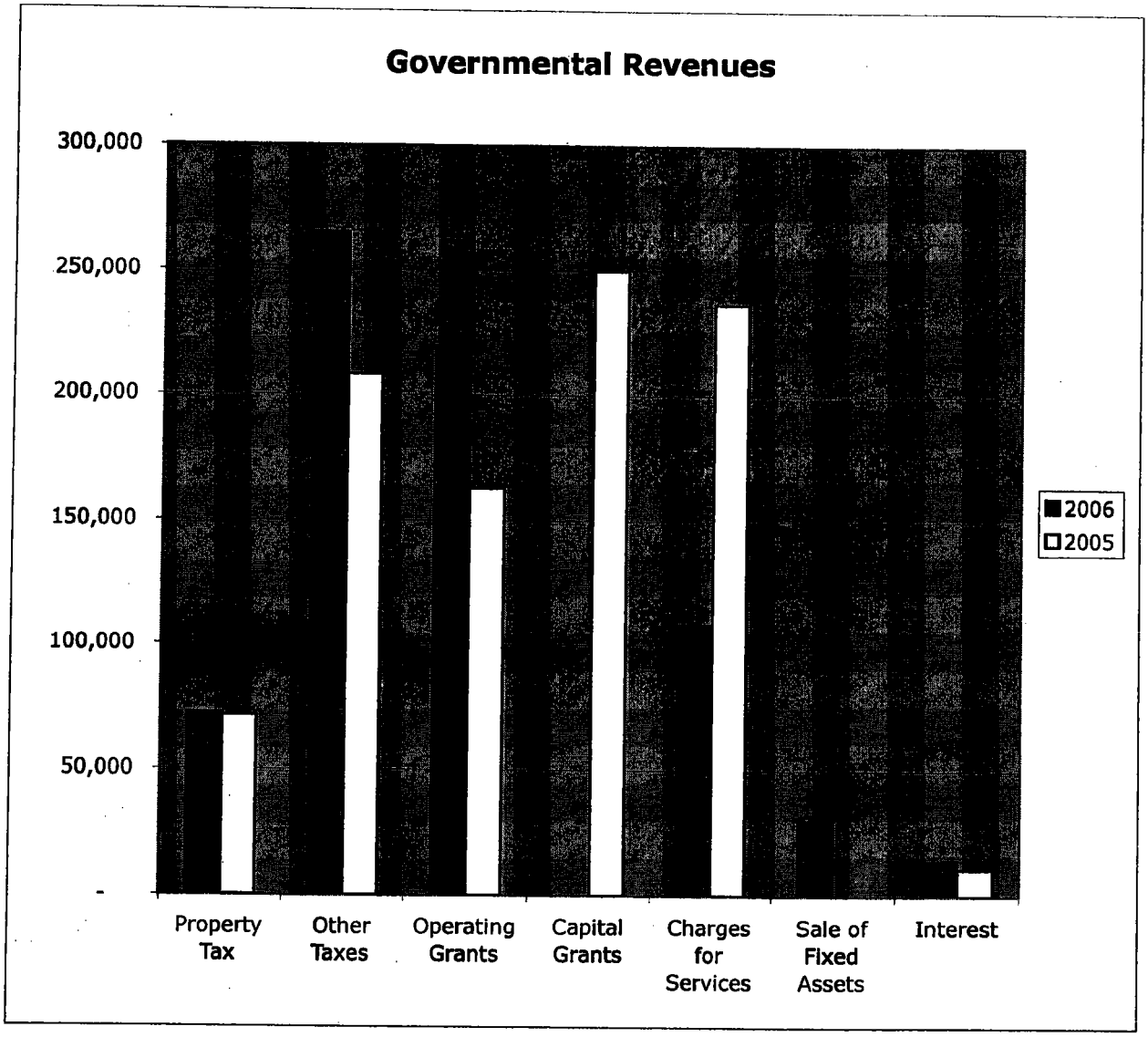
Additional information on the City's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Monroe City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe City Recorder, 10 North Main, Monroe, Utah, 84754.

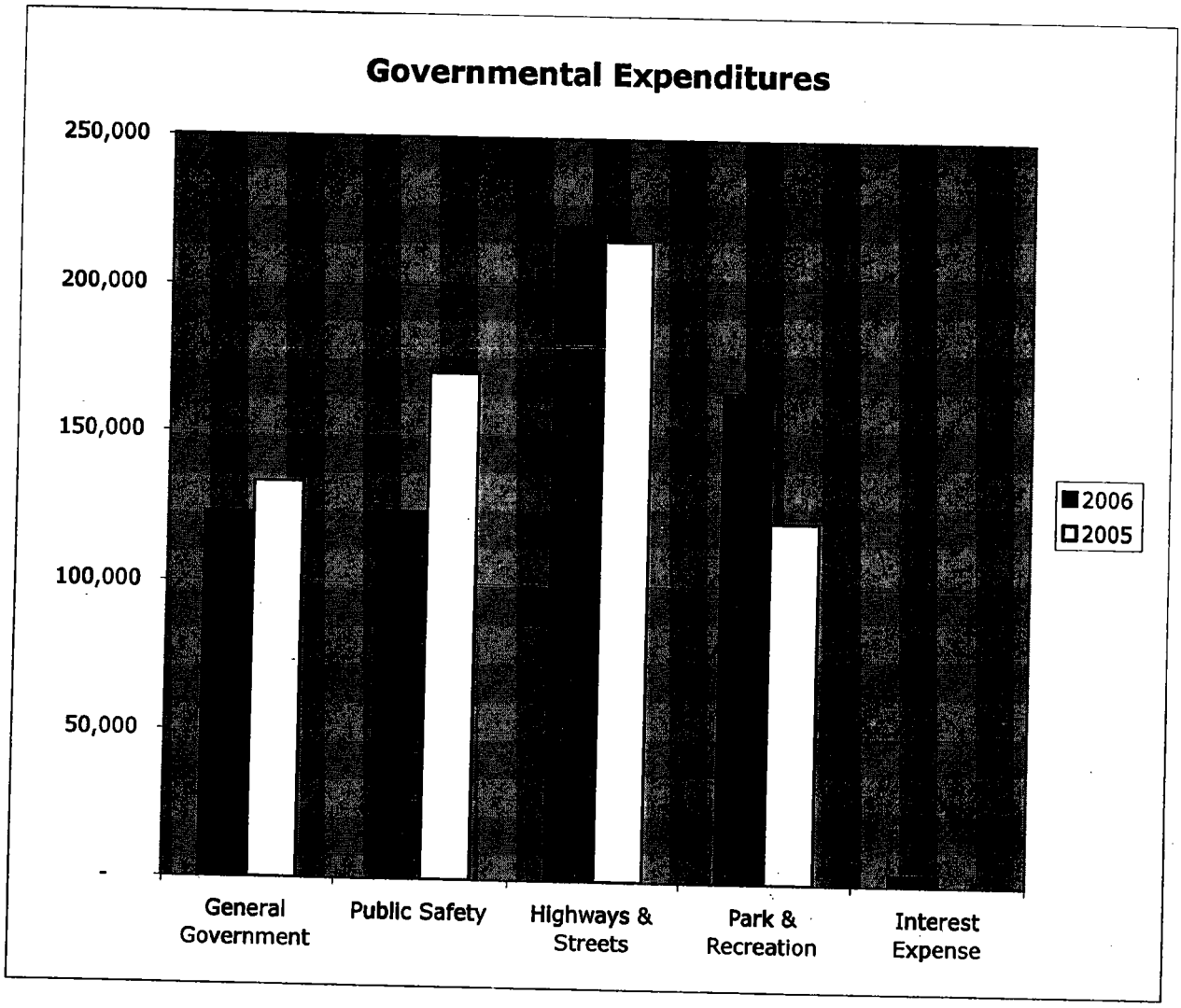
Monroe City
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Property Tax	72,601	71,505
Other Taxes	265,212	208,248
Operating Grants	217,346	163,090
Capital Grants	-	250,000
Charges for Services	108,543	236,574
Sale of Fixed Assets	30,100	
Interest	14,077	10,978
Total Revenues	707,879	940,395



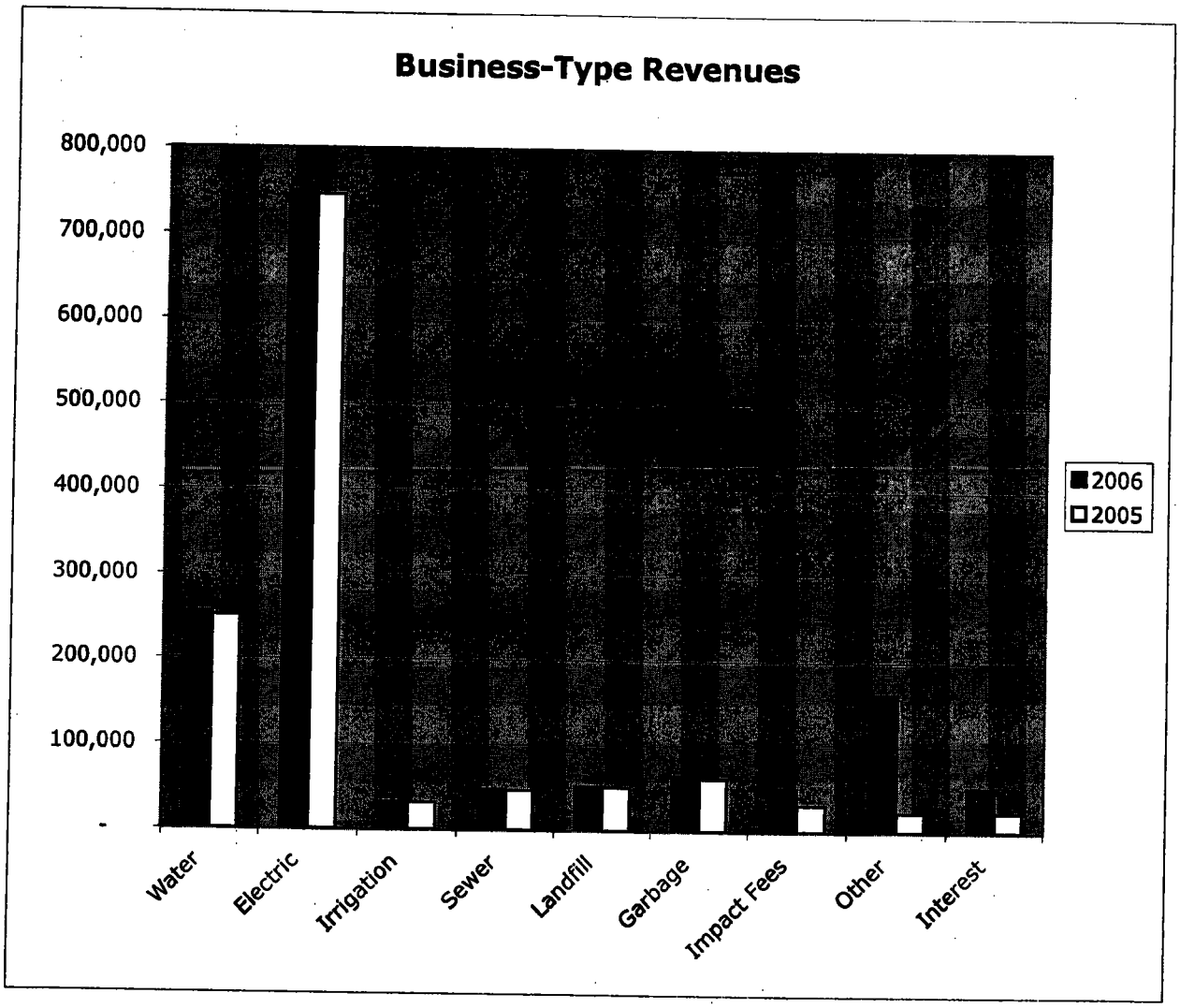
Monroe City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	123,030	133,428
Public Safety	123,873	170,670
Highways & Streets	220,776	215,800
Park & Recreation	164,991	121,702
Interest Expense	3,750	-
Total Expenditures	636,420	641,600



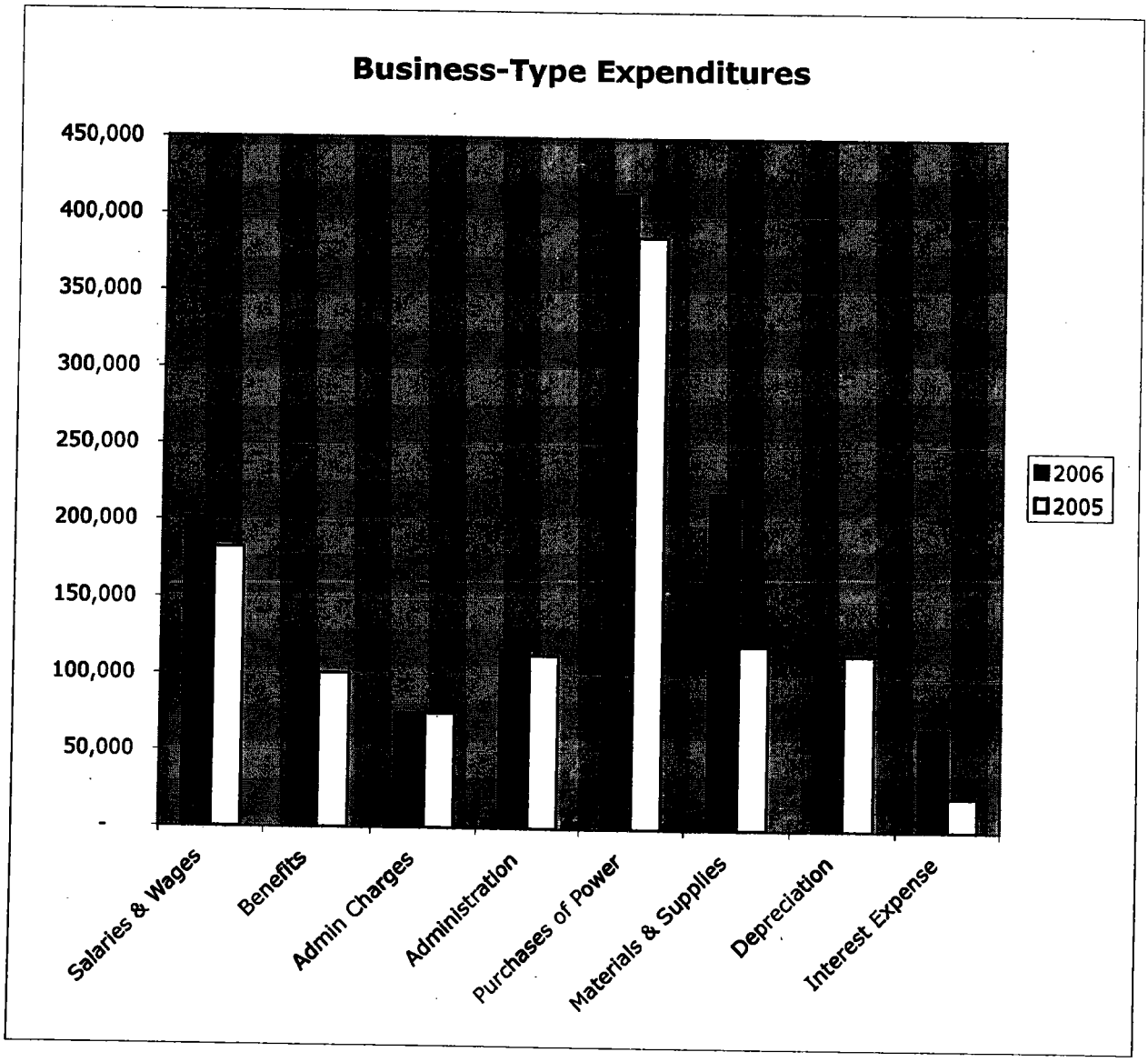
Monroe City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Water	254,375	251,092
Electric	750,230	745,906
Irrigation	32,425	32,170
Sewer	47,830	46,964
Landfill	52,041	51,079
Garbage	65,696	62,038
Impact Fees	51,000	31,465
Other	162,728	23,398
Interest	52,647	23,554
Total Revenues	1,468,972	1,267,666



Monroe City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	201,440	182,348
Benefits	114,621	100,631
Admin Charges	74,904	74,780
Administration	116,862	113,208
Purchases of Power	413,464	385,583
Materials & Supplies	219,112	120,744
Depreciation	110,718	114,719
Interest Expense	67,039	22,331
Total Expenditures	1,318,160	1,114,344



BASIC FINANCIAL STATEMENTS

MONROE CITY
STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	118,494	1,314,671	1,433,165
Accounts Receivable (Net)	-	111,922	111,922
Due From Other Government Units	592,779	-	592,779
Total Current Assets	711,273	1,426,593	2,137,866
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	59,423	59,423
Capital Assets (Net of Accumulated Depreciation):			
Land	257,000	34,875	291,875
Water Shares	-	102,533	102,533
Buildings	544,123	1,735,381	2,279,504
Improvements Other Than Buildings	-	2,269,615	2,269,615
Equipment	166,644	16,626	183,270
Infrastructure	596,783	-	596,783
Total Noncurrent Assets	1,564,550	4,218,453	5,783,003
TOTAL ASSETS	2,275,823	5,645,046	7,920,869
LIABILITIES			
Current Liabilities:			
Accounts Payable	33,953	89,248	123,201
Accrued Liabilities	36,503	26,515	63,018
Deposits Payable	-	24,060	24,060
Revenue Bonds Payable - Due Within One Year	6,000	75,641	81,641
Total Current Liabilities	76,456	215,464	291,920
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	138,000	2,088,597	2,226,597
Compensated Absences	16,045	-	16,045
Total Noncurrent Liabilities	154,045	2,088,597	2,242,642
TOTAL LIABILITIES	230,501	2,304,061	2,534,562
NET ASSETS			
Investment in Capital Assets, Net of Debt	1,420,550	1,994,792	3,415,342
Restricted For:			
Perpetual Care	133,858	-	133,858
Bond Retirement	-	59,423	59,423
Class C Road	106,830	-	106,830
Capital Outlay	-	213,596	213,596
Impact Fees	-	55,090	55,090
Unrestricted	384,084	1,018,084	1,402,168
TOTAL NET ASSETS	2,045,322	3,340,985	5,386,307
TOTAL LIABILITIES AND NET ASSETS	2,275,823	5,645,046	7,920,869

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

MONROE CITY
STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Function/Programs Primary Government:							
Governmental Activities:							
General Government	123,030	88,893	81,271	-	47,134	-	47,134
Public Safety	123,873	-	36,797	-	(87,076)	-	(87,076)
Streets and Public Improvements	220,776	-	99,278	-	(121,498)	-	(121,498)
Park and Recreation	164,991	19,650	-	-	(145,341)	-	(145,341)
Interest on Long-Term Debt	3,750	-	-	-	(3,750)	(67,039)	(70,789)
Total Governmental Activities	636,420	108,543	217,346	-	(310,531)	(67,039)	(377,570)
Business-Type Activities:							
Water Funds	258,235	292,199	-	-	-	33,964	33,964
Electric Funds	846,513	875,134	-	-	-	28,621	28,621
Irrigation Funds	29,511	32,425	-	-	-	2,914	2,914
Nonmajor Funds	116,862	165,567	-	-	-	48,705	48,705
Total Business-Type Activities	1,251,121	1,365,325	-	-	-	114,204	114,204
Total Primary Government	1,887,541	1,473,868	217,346	-	(310,531)	47,165	(263,366)
General Revenues:							
Property Taxes					72,601	-	72,601
Fee-In-Lieu of Property Taxes					14,781	-	14,781
Sales Taxes					221,338	-	221,338
Telecommunication Taxes					25,956	-	25,956
Franchise Taxes					3,137	-	3,137
Interest Earnings					14,077	52,647	66,724
Sale of Fixed Assets					30,100	-	30,100
Impact Fees					-	51,000	51,000
Total General Revenues and Transfers					381,990	103,647	485,637
Change in Net Assets					71,459	150,812	222,271
Net Assets - Beginning					1,973,863	3,190,173	5,164,036
Net Assets - Ending					2,045,322	3,340,985	5,386,307

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

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

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	-	118,492	118,492
Due From Other Funds	-	257,956	257,956
Due From Other Government Units	592,779	-	592,779
TOTAL ASSETS	592,779	376,448	969,227
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	257,954	-	257,954
Accounts Payable	33,953	-	33,953
Accrued Liabilities	36,503	-	36,503
Total Liabilities	328,410	-	328,410
Fund Balances:			
Reserved For:			
Class C Road	106,830	-	106,830
Perpetual Care	-	133,858	133,858
Unreserved, Reported In:			
General Fund	157,539	-	157,539
Municipal Building Authority	-	(2)	(2)
Capital Projects Fund	-	242,592	242,592
Total Fund Balance	264,369	376,448	640,817
TOTAL LIABILITIES AND FUND BALANCE	592,779	376,448	969,227

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

MONROE CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types		640,817
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Land	257,000	
Buildings	544,123	
Equipment	166,644	
Infrastructure	596,783	
Total		1,564,550
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Lease Revenue Bonds Payable	(144,000)	
Compensated Absences	(16,045)	
Total		(160,045)
Net Assets of Government Activities		2,045,322

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

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues:			
Taxes	337,813	-	337,813
Licenses and Permits	4,078	-	4,078
Intergovernmental Revenue	286,036	9,750	295,786
Charges for Services	19,650	-	19,650
Interest	14,077	32	14,109
Perpetual Care	-	3,009	3,009
Sale of Fixed Assets	30,100	-	30,100
Miscellaneous Revenues	3,334	-	3,334
Total Revenues	695,088	12,791	707,879
Expenditures:			
Current:			
General Government	122,856	-	122,856
Public Safety	98,610	-	98,610
Streets and Public Improvements	156,659	-	156,659
Parks and Recreation	174,395	-	174,395
Capital Outlay	-	10,717	10,717
Total Expenditures	552,520	10,717	563,237
Excess Revenues Over (Under) Expenditures	142,568	2,074	144,642
Other Financing Sources (Uses):			
Transfer to Capital Projects Fund	(201,164)	-	(201,164)
Transfer From General Fund	-	201,164	201,164
Total Other Financing	(201,164)	201,164	-
Net Change In Fund Balance	(58,596)	203,238	144,642
Fund Balance - Beginning	322,965	173,210	496,175
Fund Balance - Ending	264,369	376,448	640,817

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

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

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:		
Net Changes in Fund Balances - Total Governmental Funds		144,642
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital Outlay	30,360	
Depreciation Expense	(114,369)	
Total		(84,009)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Principal Payment of Long-Term Debt	6,000	
Compensated Absences	4,826	
Total		10,826
Changes In Net Assets of Governmental Activities		71,459

MONROE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Fund				
	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Totals
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	455,990	368,721	169,074	320,886	1,314,671
Accounts Receivable	26,652	67,713	2,522	15,035	111,922
Total Current Assets	482,642	436,434	171,596	335,921	1,426,593
Noncurrent Assets:					
Investments - Restricted:					
Bond Reserves	55,590	-	3,833	-	59,423
Capital Assets: (Net of Accum. Depr.)					
Land	-	22,700	12,175	-	34,875
Water Rights	88,755	-	13,778	-	102,533
Buildings	1,246,329	489,052	-	-	1,735,381
Improvements Other Than Buildings	1,469,845	282,104	517,666	-	2,269,615
Machinery and Equipment	2,376	14,250	-	-	16,626
Total Noncurrent Assets	2,862,895	808,106	547,452	-	4,218,453
TOTAL ASSETS	3,345,537	1,244,540	719,048	335,921	5,645,046
LIABILITIES:					
Current Liabilities:					
Accounts Payable	-	83,986	-	5,262	89,248
Accrued Interest Payable	21,908	-	-	-	21,908
Deposits Payable	-	24,060	-	-	24,060
Accrued Liabilities	-	4,607	-	-	4,607
Bonds Payable - Current Portion	70,641	-	5,000	-	75,641
Total Current Liabilities	92,549	112,653	5,000	5,262	215,464
Noncurrent Liabilities:					
Bonds Payable - Long-Term Portion	2,008,597	-	80,000	-	2,088,597
Total Noncurrent Liabilities	2,008,597	-	80,000	-	2,088,597
TOTAL LIABILITIES	2,101,146	112,653	85,000	5,262	2,304,061
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	728,067	808,106	458,619	-	1,994,792
Restricted for:					
Bond Reserves	55,590	-	3,833	-	59,423
Capital Outlays	213,596	-	-	-	213,596
Impact Fees	55,090	-	-	-	55,090
Unrestricted	192,048	323,781	171,596	330,659	1,018,084
TOTAL NET ASSETS	1,244,391	1,131,887	634,048	330,659	3,340,985
TOTAL LIABILITIES AND NET ASSETS	3,345,537	1,244,540	719,048	335,921	5,645,046

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

MONROE CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

June 30, 2006

	Business-Type Activity Enterprise Fund				
	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Totals
Operating Revenues:					
Charges for Sales and Services:					
Water	254,375	-	-	-	254,375
Electric	-	750,230	-	-	750,230
Irrigation	-	-	32,425	-	32,425
Sewer	-	-	-	47,830	47,830
Landfill	-	-	-	52,041	52,041
Garbage	-	-	-	65,696	65,696
Connection Fees	15,410	27,556	-	-	42,966
Administrative Charge	4,904	-	-	-	4,904
Other	17,510	97,348	-	-	114,858
Total Operating Revenues	292,199	875,134	32,425	165,567	1,365,325
Operating Expenses:					
Salaries	77,679	123,761	-	-	201,440
Fringe Benefits	45,931	68,690	-	-	114,621
Administrative Charge	-	70,000	4,904	-	74,904
Administration	-	-	-	116,862	116,862
Purchased Power	-	413,464	-	-	413,464
Material and Supplies	68,370	140,735	10,007	-	219,112
Depreciation	66,255	29,863	14,600	-	110,718
Total Operating Expenses	258,235	846,513	29,511	116,862	1,251,121
Operating Income	33,964	28,621	2,914	48,705	114,204
Nonoperating Revenues (Expenses):					
Investment Earnings	31,755	8,554	5,933	6,405	52,647
Impact Fees	51,000	-	-	-	51,000
Interest Expense	(67,039)	-	-	-	(67,039)
Total Nonoperating Revenues (Expenses)	15,716	8,554	5,933	6,405	36,608
Change in Net Assets	49,680	37,175	8,847	55,110	150,812
Total Net Assets - Beginning	1,194,711	1,094,712	625,201	275,549	3,190,173
Total Net Assets - Ending	1,244,391	1,131,887	634,048	330,659	3,340,985

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

MONROE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activities Enterprise Fund				
	Water Fund	Electric Fund	Irrigation Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities:					
Receipts From Customers	291,591	873,371	32,693	165,331	1,362,986
Payments to Suppliers	(68,370)	(572,091)	(14,911)	(116,881)	(772,253)
Payments to Employees	(123,610)	(192,451)	-	-	(316,061)
Net Cash Provided by Operating Activities	99,611	108,829	17,782	48,450	274,672
Cash Flows From Capital and Related Financing Activities:					
Interest Payment on Long-Term Debt	(45,131)	-	-	-	(45,131)
Principal Payment on Long-Term Debt	(30,640)	-	(5,000)	-	(35,640)
Capital Outlay	(1,016,627)	(14,250)	-	-	(1,030,877)
Impact Fee Revenue	51,000	-	-	-	51,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,041,398)	(14,250)	(5,000)	-	(1,060,648)
Cash Flows from Investing Activities:					
Interest Earned on Investments	31,755	8,554	5,933	6,406	52,648
~~Increase (Decr.) Cash and Cash Equivalents~~	~~(910,032)~~	~~103,133~~	~~18,715~~	~~54,856~~	~~(733,328)~~
Cash and Cash Equivalents - Beginning	1,421,612	265,588	154,192	266,030	2,107,422
Cash and Cash Equivalents - Ending	511,580	368,721	172,907	320,886	1,374,094
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:					
Operating Income	33,964	28,621	2,914	48,705	114,204
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:					
Depreciation	66,255	29,863	14,600	-	110,718
Increase (Decrease) in Operating Assets:					
Accounts Receivable	(608)	(1,763)	268	(236)	(2,339)
Accounts Payable	-	48,038	-	(19)	48,019
Deposits Payable	-	3,195	-	-	3,195
Sales Tax Payable	-	875	-	-	875
Total Adjustments	65,647	80,208	14,868	(255)	160,468
Net Cash Provided (Used) by Operating Activities	99,611	108,829	17,782	48,450	274,672

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Monroe City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity:

Monroe City is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Monroe City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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 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 segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary 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.

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

The government 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 those required to be accounted for in another fund.

The Government also reports the following Other Governmental Funds:

The Municipal Building Authority Fund which accounts for the construction of major fixed assets then leased to the City for City purposes.

Capital Project Fund account for the acquisition of fixed assets or construction of major capital improvements not being financed by proprietary or nonexpendable trust funds.

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Government reports the following Proprietary Funds:

The utility funds accounts for the activities of the City water, electric, irrigation, sewer, landfill and garbage operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility funds are charges to customers for 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government'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.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets:

Capital assets, which include property, plant, 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. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings	60 Years
Improvements Other Than Buildings	60 Years
Equipment	5 - 10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City 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 City 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 City'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 City 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.

F. Property Taxes

Property taxes are assessed and collected for the City by Sevier County and remitted to the City 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.

G. Use of Estimates:

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end the carrying amounts of bank deposits were $336,500 and bank balances were $337,814. Of the bank balance, $100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council. Cash on hand was $200.

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

	Fair Value
Cash On Hand	200
Demand Deposits - Checking	336,500
Investment - PTIF	1,155,888
Total Cash and Investments	1,492,588

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

Governmental Activities - Unrestricted	118,494
Business-Type Activities - Unrestricted	1,314,671
Business-Type Activities - Restricted	59,423
Total Cash and Cash Equivalents	1,492,588

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that City 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by 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 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.

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 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.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined 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. As of June 30, 2006, $290,513 of the local government's bank balances of $390,513 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. 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 participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of $1,155,888 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

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

NOTE 3 - BOND RESERVES

Culinary Water Revenue Bonds:

The Culinary Water Revenue Bonds require the following bond reserves:

	Yearly Requirements	Maximum Amount	Total Reserves
Rural Development	1,090	11,000	9,090
Community Impact Board	3,667	21,000	21,000
Drinking Water Board	1,885	18,000	18,000
Community Impact Board	833	5,000	3,833
Drinking Water Board - 2005	7,500	75,000	7,500
Total Reserves			59,423

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts Receivable in the Proprietary Fund represents monies owed the City by customers for Utility services.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

This account represents monies due from the State of Utah for Class C Roads, Sales Taxes and Telecommunication Taxes.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	179,000	-	-	179,000
Land Related to Infrastructure	78,000	-	-	78,000
Total Capital Assets Not Being Depreciated	257,000	-	-	257,000
Capital Assets Being Depreciated:				
Buildings	721,475	-	-	721,475
Equipment	365,500	23,077	-	388,577
Infrastructure	1,530,000	7,283	-	1,537,283
Total Capital Assets Being Depreciated	2,616,975	30,360	-	2,647,335
Less Accumulated Depreciation For:				
Buildings	159,316	18,036	-	177,352
Equipment	202,100	19,833	-	221,933
Infrastructure	864,000	76,500	-	940,500
Total Accumulated Depreciation	1,225,416	114,369	-	1,339,785
Total Capital Assets Being Depreciated (Net)	1,391,559	(84,009)	-	1,307,550
Governmental Activities Capital Assets, Net	1,648,559	(84,009)	-	1,564,550

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	34,875	-	-	34,875
Water Stock	102,533	-	-	102,533
Construction In Progress	229,702	1,016,627	1,246,329	-
Total Capital Assets Not Being Depreciated	367,110	1,016,627	1,246,329	137,408
Capital Assets Being Depreciated:				
Buildings	730,182	1,246,329	-	1,976,511
Equipment	404,257	14,250	-	418,507
Utility Systems	3,316,212	-	-	3,316,212
Total Capital Assets Being Depreciated	4,450,651	1,260,579	-	5,711,230
Less Accumulated Depreciation For:				
Buildings	228,940	12,190	-	241,130
Equipment	393,703	8,178	-	401,881
Utility Systems	956,247	90,350	-	1,046,597
Total Accumulated Depreciation	1,578,890	110,718	-	1,689,608
Total Capital Assets Being Depreciated (Net)	2,871,761	1,149,861	-	4,021,622
Business Type Activities Capital Assets, Net	3,238,871	2,166,488	1,246,329	4,159,030
Total Capital Assets	4,887,430	2,082,479	1,246,329	5,723,580

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	5,000	-	5,000
Public Safety	24,296	-	24,296
Public Health	-	110,718	110,718
Highways and Public Improvements	79,900	-	79,900
Parks and Recreation	5,173	-	5,173
Total Depreciation Expense	114,369	110,718	225,087

NOTE 7 - WATER SHARES

The Utility Fund has water shares which are shown on the balance sheet at a cost of $102,533. The current value of the water shares is in excess of the cost.

NOTE 8 - MUNICIPAL BUILDING AUTHORITY

On October 2, 2003, the Monroe City Council created the Municipal Building Authority to acquire, improve or extend one or more projects and to finance their costs on behalf of the public body that created it and to all other lawful things allowed by law for this type of corporation. The trustees of the Building Authority are the Mayor and Monroe City Council.

NOTE 9 - LONG-TERM DEBT

General Long-Term Debt

Compensated Absences:

Compensated absences of Monroe City, in the general long-term debt account group, represent accrued vacation at June 30, 2006, in the amount of $16,045.

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Compensated Absences	20,871	-	4,826	16,045

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Series 2004 Lease Revenue Bonds:

On August 30, 2004, the Municipal Building Authority of Monroe City approved the issuance of Series 2004 Lease Revenue Bonds in the amount of $150,000 for the purpose of constructing a fire house and related improvements. The terms of the lease require yearly payments beginning January 1, 2006 including interest at 2.5%.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	6,000	3,600	9,600
2007/2008	6,000	3,450	9,450
2008/2009	6,000	3,300	9,300
2009/2010	7,000	3,150	10,150
2010/2011	7,000	2,975	9,975
2012/2016	36,000	12,250	48,250
2017/2021	40,000	7,500	47,500
2022/2026	36,000	2,250	38,250
Total	144,000	38,475	182,475

The following is a schedule of changes in bonds payable:

	Outstanding June 30, 2005	Issued	Matured	Outstanding June 30, 2006
Lease Revenue Bonds - Series 2004	150,000	-	6,000	144,000

Utility Long-Term Debt

Culinary Water Revenue Bonds - 1998A:

During 1998 the City issued Revenue Bonds in the amount of $400,000 for improvement to the Culinary Water System. The bonds require yearly payments on April 1st of each year and carry an interest rate of 2.5%.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	14,000	7,775	21,775
2007/2008	14,000	7,425	21,425
2008/2009	15,000	7,075	22,075
2009/2010	15,000	6,700	21,700
2010/2011	15,000	6,325	21,325
2012/2016	82,000	25,725	107,725
2017/2021	94,000	14,925	108,925
2022/2026	62,000	3,125	65,125
Total	311,000	79,075	390,075

Culinary Water Revenue Bonds - 1998B:

During 1998 the City issued Revenue Bonds in the amount of $300,000 for improvement to the Culinary Water System. The bonds require yearly payments on January 1st of each year and carry an interest rate of 2.28%.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	14,000	4,788	18,788
2007/2008	14,000	4,469	18,469
2008/2009	15,000	4,150	19,150
2009/2010	15,000	3,808	18,808
2010/2011	15,000	3,466	18,466
2012/2016	83,000	11,902	94,902
2017/2021	54,000	2,462	56,462
Total	210,000	35,045	245,045

Culinary Water Revenue Bonds - 1998C:

During 2002 the City issued Revenue Bonds in the amount of $200,000 for improvement to the Culinary Water System. The bonds require yearly payments on January 1st of each year and carry an interest rate of 4.5%.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	2,641	8,255	10,896
2007/2008	2,760	8,136	10,896
2008/2009	2,884	8,012	10,896
2009/2010	3,014	7,882	10,896
2010/2011	3,150	7,746	10,896
2012/2016	21,007	36,473	57,480
2017/2021	22,440	32,040	54,480
2022/2026	27,964	26,516	54,480
2027/2031	34,849	19,631	54,480
2032/2036	43,428	11,052	54,480
2037/2041	19,101	1,562	20,663
Total	183,238	167,305	350,543

Irrigation Water Revenue Bonds, Series 2002:

In June of 2003 the city authorized the issuance of Irrigation Water revenue Bonds in the amount of $100,000 from the State of Utah community Impact Board to help finance the enlargement of an existing water regulating pond for the City's secondary irrigation system. The bonds were issued in August of 2002 and the terms of the agreement require yearly payments of $5,000 over 20 years with 0% interest.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	5,000	-	5,000
2007/2008	5,000	-	5,000
2008/2009	5,000	-	5,000
2009/2010	5,000	-	5,000
2010/2011	5,000	-	5,000
2012/2016	25,000	-	25,000
2017/2021	25,000	-	25,000
2022/2026	10,000	-	10,000
Total	85,000	-	85,000

NOTE 9 - LONG-TERM DEBT (CONTINUED)

Culinary Water Revenue Bonds - 2005:

On April 26, 2005, Monroe City approved the issuance of a Parity Revenue Bond, Series 2005 in the amount of $1,375,000 for the purpose of providing funds to finance all or part of the cost of improving the culinary water system of Monroe City. The project consists of building a mocrofiltration plant in Monroe Canyon. The bonds were issued with an interest rate of 2.59%.

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2006/2007	40,000	35,613	75,613
2007/2008	41,000	34,577	75,577
2008/2009	42,000	33,515	75,515
2009/2010	43,000	32,427	75,427
2010/2011	44,000	31,313	75,313
2012/2016	238,000	138,876	376,876
2017/2021	270,000	106,424	376,424
2022/2026	308,000	69,567	377,567
2027/2031	349,000	27,584	376,584
Total	1,375,000	509,896	1,884,896

The following is a summary of total utility debt service charges for revenue bonds to maturity:

	Principal	Interest	Total
2006/2007	75,641	56,431	132,072
2007/2008	76,760	54,607	131,367
2008/2009	79,884	52,752	132,636
2009/2010	81,014	50,817	131,831
2010/2011	82,150	48,850	131,000
2012/2016	449,007	212,976	661,983
2017/2021	465,440	155,851	621,291
2022/2026	407,964	99,208	507,172
2027/2031	383,849	47,215	431,064
2032/2036	43,428	11,052	54,480
2037/2041	19,101	1,562	20,663
Total	2,164,238	791,321	2,955,559

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in Utility Bonds Payable:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2005	Current Year Changes Issued	Current Year Changes Matured	Outstanding June 30, 2006
Culinary Water Revenue Bonds - 1998A							
Division of Water Resources	1998	2.5%	400,000	325,000	-	14,000	311,000
Culinary Water Revenue Bonds - 1998B							
Division of Water Resources	1998	2.28%	300,000	224,000	-	14,000	210,000
Culinary Water Revenue Bonds - 1998C							
Division of Water Resources	1998	4.5%	200,000	185,878	-	2,640	183,238
Irrigation Water Revenue Bonds - 2002							
Community Impact Board	2002	0.0%	100,000	90,000	-	5,000	85,000
Culinary Water Revenue Bonds - 2005							
Community Impact Board	2005	2.59%	1,375,000	1,375,000	-	-	1,375,000
Total			2,375,000	2,199,878	-	35,640	2,164,238

NOTE 10 - CLASS "C" ROADS

The following schedule is a statement of revenues, expenditures and changes in Class "C" Roads:

Balance - Beginning of Year	77,000
Receipts:	
Class "C" Road Allotment	99,278
Expenditures:	
Maintenance	(69,448)
Balance - End of Year	106,830

NOTE 11 - CEMETERY PERPETUAL CARE FUND

The following schedule is a statement of revenues, expenses and changes in fund balances:

Fund Balance - Beginning of Year	130,849
Operating Revenues:	
Sale of Perpetual Care	3,009
Expenses	-
Fund Balance - End of Year	133,858

NOTE 12 - TRANSFERS

Description	Transfers In	Transfers Out
General	-	201,164
Capital Projects Fund	201,164	-
	201,164	201,164

Transfers were made for the following purposes:

* The General Fund transferred $201,164 to the Capital Projects Fund for future capital outlays.

NOTE 13 - COMMITMENTS

Power Consumption Agreements

Hunter Project:

Monroe City has entered into a power sales contract which expires in June 2027 to purchase approximately .130% of the output of the Intermountain Power Project (IPP). As long as any of the Intermountain Power Agency Bonds are outstanding, the contract cannot be terminated or amended in a manner that would impair or adversely affect the rights of bond holders. The City has also entered into a power layoff contract with certain Southern California Utilities in which they agree to take delivery of all of the City's IPP excess power entitlement. The City may recall up to 100% of its entitlement upon meeting certain notification requirements.

In June 1982, the City entered into a power sales contract with Utah Associated Municipal Power Systems (UAMPS), a political subdivision of the State of Utah that plans, finances and operates electric power projects and of which the City is a member. The contract entitles the City to .7948% of the output of the Hunter Steam Electric Generating Unit No. 2 (Hunter II) and expires upon the occurrence of certain events, not to extend beyond June 1, 2032. The City is also obligated for .7942% of the debt issued to finance the acquisition of the facility, or $258,372 in revenue bonds outstanding at June 30, 2006. The City's payment of power, operating, and debt service costs with the Hunter II facility are recorded in its financial statements as purchased power.

The City is obligated on a "take or pay" basis in a power purchase agreement entitling the City to .6524% of the electrical capacity of the Colorado River Storage Project through 2024.

Payson Project:

Monroe City entered into a contract with UAMPS in 2004 to participate in the Payson (Nebo) Project, which is a natural gas fired generating plant. Monroe City's share of this project is 600 kw. The contract obligates Monroe City to .4518% of the debt issued to finance the acquisition of the facilities, or $481,962 in revenue bonds outstanding at June 30, 2006. This project is a peaking resource and only runs during high load hours. Participation in this project allows further diversification of the City's available power resources so they don't depend solely on hydro power.

CRC Note:

Another obligation of Monroe City is payment of .3089% of UAMPS obligation of $7,904,833 cost recovery note. The City's portion of this principal outstanding June 30, 2006, was $24,608. The debt was occurred in 2001 when UAMPS entered into power contracts on behalf of their members during the time power costs were extremely high due to deregulation of some power markets and because some companies such as ENRON manipulated the power prices and created an artificial market. When the Federal Energy Regulatory Commission (FERC) took control of the power market and ENRON declared bankruptcy, market prices dropped drastically, leaving UAMPS obligated to take care of this debt. The debt was paid off June 2006.

NOTE 14 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Monroe City contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides 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 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 included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Monroe City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Monroe City contributions to the various systems for the years ending June 30, 2006, 2005 and 2004, respectively were; for the Noncontributory System, $34,253.98, $32,187.01 and $25,459.55. The contributions were equal to the required contributions for each year.

NOTE 15 - RISK MANAGEMENT

The City's risk management activities are recorded in the fund who activities give rise to the risk, or in the General Fund if a reasonable allocation of risk cannot be made. The City manages risks associated with employee life and health, property, liability, unsecured deposits and investments, and workers' compensation and unemployment. Significant loses are covered by commercial insurance for all major risks except property (other than municipal buildings and their contents), unsecured deposits and investments, and unemployment, for which the City retains the risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 15 - RISK MANAGEMENT (CONTINUED)

Historically, the City has not incurred significant losses as a result of claims for which it retains the risk of loss, and accordingly, has not established a provision for potential claims.

The following is a scheduled of insurance policies and fidelity bonds in force as of June 30, 2006:

Carrier	Risks Covered	Amount of Coverage		Expiration
Old Republic Surety Co.	Fidelity Bonds	Treasurer	122,000	12/02/2006
		Recorder	110,000	
		Dep. Treasurer	15,000	
		Mayor	110,000	
Utah Local Governments Trust	Prop. Damage	Property	42,500	07/01/2006
		Buildings	2,299,068	
		Contents	274,139	
		Electrical	30,450	
Utah Local Governments Trust	Auto Damage			07/01/2006
Utah Local Governments Trust	Liability		2,000,000	09/16/2006
Utah Local Governments Trust	Workers Comp.		100,000	12/31/2006

REQUIRED SUPPLEMENTARY INFORMATION "UNAUDITED"

MONROE CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For The Fiscal Year Ended June 30, 2006

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 aurthorized by the Town Board 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 Board through formal resolution. Final budgets do not include unexpended balances form the prior year because such balances automatically laspe to unreserved fund balance at the end of each year.

Current Year Excess of Expentitures over Appropriations:

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

MONROE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
General Property Taxes	68,000	68,000	70,599	2,599
Prior Years Taxes	3,000	3,000	2,002	(998)
General Sales and Use Taxes	130,000	130,000	221,338	91,338
Telecommunications Tax	15,000	15,000	25,956	10,956
Franchise Taxes	1,500	3,000	3,137	137
Fee-In-Lieu	20,000	20,000	14,781	(5,219)
Total Taxes	237,500	239,000	337,813	98,813
Licenses and Permits:				
Business Licenses	1,200	1,200	1,413	213
Non-Business Licenses and Permits	2,540	2,540	2,665	125
Total Licenses and Permits	3,740	3,740	4,078	338
Intergovernmental Revenue:				
State Grants	3,900	10,821	7,071	(3,750)
Federal Grants	-	92,424	88,371	(4,053)
ULGT Safety Grant	1,400	1,400	-	(1,400)
State Liquor Allotment	1,000	1,000	1,316	316
Class C Road	110,000	110,000	99,278	(10,722)
County Fire Contract	20,000	20,000	20,000	-
Electric Administrative Fee	70,000	70,000	70,000	-
Total Intergovernmental Revenue	206,300	305,645	286,036	(19,609)
Charges for Services:				
July 24th Receipts	10,000	10,000	9,402	(598)
Park Fees	250	250	255	5
Sale of Cemetery Lots	8,000	8,000	7,396	(604)
Other	1,700	1,700	2,597	897
Total Charges for Services	19,950	19,950	19,650	(300)

MONROE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued):				
Miscellaneous Revenue:				
Interest	3,200	5,200	14,077	8,877
Oil and Gas Lease Revenues	127,164	-	-	-
Other	1,700	2,700	3,334	634
Sale of Fixed Assets	-	30,100	30,100	-
Transfers from Other Funds	97,305	-	-	-
Use of Fund Balance	-	82,305	-	(82,305)
Total Miscellaneous Revenue	229,369	120,305	47,511	(72,794)
Total Revenues	696,859	688,640	695,088	6,448
Expenditures:				
General Government:				
Salaries	66,000	66,000	55,571	10,429
Administration	72,750	74,250	67,285	6,965
Capital Outlay	127,164	-	-	-
Total General Government	265,914	140,250	122,856	17,394
Public Safety:				
Fire Department	40,750	59,924	52,610	7,314
Law Enforcement	46,000	46,000	46,000	-
Total Public Safety	86,750	105,924	98,610	7,314
Streets and Public Improvements:				
Streets	115,723	92,923	87,211	5,712
Class C Roads	92,100	71,000	69,448	1,552
Total Streets and Public Improvements	207,823	163,923	156,659	7,264

MONROE CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued):				
Parks and Recreation:				
Cemetery	48,800	33,800	27,012	6,788
Library	45,150	125,071	102,577	22,494
Parks	42,422	45,672	44,806	866
Total Parks and Recreation	136,372	204,543	174,395	30,148
Nondepartmental:				
Transfer to Capital Projects Fund	-	74,000	201,164	(127,164)
Total Expenditures	696,859	688,640	753,684	(65,044)
Excess Revenues Over (Under) Expenditures	-	-	(58,596)	(58,596)
Fund Balance - Beginning			322,965	
Fund Balance - Ending			264,369	

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is used to assist in formatting, for easier reading)

OTHER SUPPLEMENTARY INFORMATION

MONROE CITY
SCHEDULE OF IMPACT FEES

For The Fiscal Year Ended June 30, 2006

WATER IMPACT FEES

On May 2, 2001, Monroe City adopted a water impact fee ordinance to encourage and expedite the orderly growth and development of the City. The impact fee, calculated as an expression of new equivalent residential connection, imposed as a condition precedent to a water connection is used to offset the proportionate impact of the development activity.

The water impact fee was amended on September 17, 2001.

The impact fee schedule is based on an "Equivalent Residential Connection" as follows:

Single Family Dwelling	3,000
Two Family and Multiple Family Dwelling:	
Each Dwelling Unit	3,000
Monroe City Annexation Territory Dwelling Units:	
Each Dwelling Unit	1,582

Commercial:

The commercial fee will be computed by the Public Works Director as follows:

The Public Works Director will estimate the annual indoor use in gallons, divide that number by 100,000 gallons and then round that quotient down to the nearest 0.50 ERC. (1 ERC = $3,000)

The City 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 a system or other expenditures allowed by law.

These funds must be expended within six years from receipt or refunded with interest to the payer.

The total impact fees and interest collected through June 30, 2006, were $200,165. Expenditures to date totaled $135,154 and interest earned was $10,783. The balance at year end was $55,090.

MONROE CITY
SCHEDULE OF IMPACT FEES (CONTINUED)

For The Fiscal Year Ended June 30, 2006

Fiscal Year	Impact Fee	Interest Earned	Project	Amount Expended	Balance
1997-2000	61,000	934	Underground Water Shares	24,500	37,434
2001-2002	38,110	8,250	Underground Water Shares	3,500	42,860
2002-2003	24,000	1,703	Water Shares	38,000	(12,297)
2003-2004	42,000	1,040		-	43,040
2004-2005	31,465	2,446	Water Debt Payments	69,154	(35,243)
2005-2006	51,000	4,067	Water Debt Payments	75,771	(20,704)
	247,575	18,440		210,925	55,090

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is used to assist in formatting, for easier reading)

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

MONROE CITY
NONMAJOR GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Municipal Building Authority:

The Municipal Building Authority Fund is used to construct public facilities in the City and to pay the indebtedness related to the cost of those facilities.

CAPITAL PROJECTS FUND

Capital Projects:

The Capital Projects Fund is used to account for the acquisition of capital assets or construction of major capital improvements.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund:

This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

MONROE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2006

	Municipal Building Authority	Capital Projects	Permanent Fund Perpetual Care	Nonmajor Government Funds
ASSETS				
Cash and Cash Equivalents	-	-	118,492	118,492
Due From Other Funds	-	242,592	15,364	257,956
TOTAL ASSETS	-	242,592	133,856	376,448
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due To Other Funds	2	-	-	-
Fund Balances:				
Unreserved, Reported in:				
Capital Projects Fund	(2)	242,592	-	242,590
Perpetual Care Fund	-	-	133,858	133,858
Total Fund Balances	(2)	242,592	133,858	376,448
TOTAL LIABILITIES AND FUND BALANCES	-	242,592	133,858	376,448

MONROE CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2006

	Municipal Building Authority	Capital Projects	Permanent Fund Perpetual Care	Nonmajor Government Funds
Revenues:				
Interest	32	-	-	32
Lease Revenue	9,750	-	-	9,750
Perpetual Care	-	-	3,009	3,009
Total Revenues	9,782	-	3,009	12,791
Expenditures:				
Debt Service	10,717	-	-	10,717
Excess of Revenues Over (Under) Expenditures	(935)	-	3,009	2,074
Other Financing Sources (Uses):				
Transfer from General Fund	-	201,164	-	201,164
Net Change in Fund Balance	(935)	201,164	3,009	203,238
Fund Balances - Beginning	933	41,428	130,849	173,210
Fund Balances - Ending	(2)	242,592	133,858	376,448

MONROE CITY
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2006

	Nonmajor Business-Type Activities Enterprise Fund			
	Sewer	Landfill	Garbage	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	279,391	32,135	9,360	320,886
Accounts Receivable	4,655	4,606	5,774	15,035
TOTAL ASSETS	284,046	36,741	15,134	335,921
LIABILITIES:				
Current Liabilities:				
Accounts Payable	-	-	5,262	5,262
TOTAL LIABILITIES	-	-	5,262	5,262
NET ASSETS:				
Unrestricted	284,046	36,741	9,872	330,659
TOTAL NET ASSETS	284,046	36,741	9,872	330,659
TOTAL LIABILITIES AND NET ASSETS	284,046	36,741	15,134	335,921

MONROE CITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS

June 30, 2006

	Nonmajor Business-Type Activities Enterprise Fund			
	Sewer	Landfill	Garbage	Total
Operating Revenues:				
Charges for Sales and Services:				
Utility Charges	-	52,041	65,696	117,737
Service and Connection Fees	47,830	-	-	47,830
Total Operating Revenues	47,830	52,041	65,696	165,567
Operating Expenses:				
Administration	-	52,026	64,836	116,862
Total Operating Expenses	-	52,026	64,836	116,862
Operating Income	47,830	15	860	48,705
Nonoperating Revenues (Expenses):				
Interest Income	3,665	1,515	1,225	6,405
Total Nonoperating Revenues (Expenses)	3,665	1,515	1,225	6,405
Change in Net Assets	51,495	1,530	2,085	55,110
Total Net Assets - Beginning	232,551	35,211	7,787	275,549
Total Net Assets - Ending	284,046	36,741	9,872	330,659

MONROE CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS

June 30, 2006

	Nonmajor Business-Type Activities Enterprise Fund			
	Sewer	Landfill	Garbage	Total
Cash Flows From Operating Activities:				
Receipts From Customers	47,838	52,136	65,357	165,331
Payments to Suppliers	-	(52,026)	(64,855)	(116,881)
Net Cash Provided by Operating Activities	47,838	110	502	48,450
Cash Flows from Investing Activities:				
Interest Received	3,665	1,515	1,226	6,406
Net Cash Provided (Used) by Investing Activities	3,665	1,515	1,226	6,406
Net Increase (Decrease) in Cash and Cash Equivalents	51,503	1,625	1,728	54,856
Cash and Cash Equivalents - Beginning	227,888	30,510	7,632	266,030
Cash and Cash Equivalents - Ending	279,391	32,135	9,360	320,886
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating Income	47,830	15	860	48,705
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:				
Increase (Decrease) in Operating Assets:				
Accounts Receivable	8	95	(339)	(236)
Accounts Payable	-	-	(19)	(19)
Total Adjustments	8	95	(358)	(255)
Net Cash Provided (Used) by Operating Activities	47,838	110	502	48,450

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
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 City Council
Monroe City
Monroe, Utah 84754

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe City as and for the year ended June 30, 2006, which collectively comprise Monroe City's basic financial statements and have issued our report thereon dated November 29, 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 Monroe City'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 Monroe City'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item number 063006-1.

We also noted certain matters that we reported to the management of Monroe City in a separate letter dated November 29, 2006.

This report is intended solely for the information and use of management and City Council 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

November 29, 2006
Richfield, Utah

MONROE CITY
SCHEDULE OF FINDINGS

June 30, 2006

Finding: 063006-1

State Legal Compliance:

Material Noncompliance with State Laws Regarding Budgets:

Budgets:

Cities, Towns and Counties are required to submit their approved budgets to the State Auditor's office after the budgets have been adopted each fiscal Year.

As of the date of our field work, November 27 through 29, 2006, the budgets for 2005 and 2006 for Monroe City have not been remitted to the Utah State Auditor's office.

Effect:

The State Auditor had instructed the State Tax Commission to withhold Sales Tax, Liquor Law Funds, and Municipal Telecom Tax. Utah Department of Transportation has been instructed to withhold C Road Funds and Sevier County Treasurer to withhold the City's Property Taxes and Fee-In-Lieu until the City sends the budgets to the State Auditor. The total due from all entities at June 30, 2006, was $592,779.

Cause:

Procedures in place to assure that the budget, after adoption, is sent to the Utah State Auditor's office were not followed.

Auditor's Recommendation:

We recommend that the adopted budgets be remitted to the State Auditor's office as soon as possible. Upon receipt of the budgets, the State Auditor will advise the Utah State Unclaimed Property Division and Sevier County Treasurer to release the funds to the City.

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

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 Monroe City, for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 29, 2006. As part of our audit, we have audited Monroe City'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 City 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 City also received the following nonmajor grants, which are not required to be audited for specific compliance: (However, these programs were subject to testwork as part of the audit of Monroe City's financial statements.)

Library Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

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

The management of Monroe City is responsible for the City'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 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 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 City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed a material instance of noncompliance, which is reported in the schedule of findings as item number 063006-1.

Our audit procedures also disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the material noncompliance reported in the schedule of findings as item number 063006-1, Monroe City, 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

November 29, 2006
Richfield, Utah

MONROE CITY

MANAGEMENT LETTER

JUNE 30, 2006

Kimball & Roberts
Certified Public Accountants
A Professional Corporation
Box 663
Richfield, Utah 84701
Phone 896-6488

Honorable Mayor and City Council
Monroe City
Monroe, Utah 84754

During our audit of the funds of Monroe City for the fiscal year ended June 30, 2006, we noted certain areas needing corrective action in order for the City to be in compliance with state laws and regulations. We also noted a circumstance that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Nonmaterial Findings:

Fund Balance

Utah Code 10-6-116(2) states that the maximum fund balance in the General Fund may not exceed 18% of the total estimated revenue of the General Fund.

Finding:

The total estimated revenue for the General Fund for the year ending June 30, 2006, was $688,640. The allowed fund balance would be $123,955. The unreserved fund balance at June 30, 2006, is $157,539, which is in excess of that allowed by law.

Recommendation:

We recommend that the City reduce the fund balance in the General Fund to the limits allowed by State law.

Response:

We have reviewed the above finding with management and their response is attached.

Cash Management

Utah Code 51-4-2(2) requires that all public funds be deposited daily, whenever practicable, but no later that three business days after receipt.

Finding:

In our tests of cash management we noted that some deposits were made later than the required three days after receipt.

Recommendation:

We recommend that all receipts be deposited daily, whenever practicable, but no later than three business days after receipt.

Response:

We have reviewed the above finding with management and their response is attached.

INTERNAL CONTROL:

Blank Checks

Finding:

During our audit we noted that the blank checks are not secured in the vault at night but left in the City offices.

Recommendation:

We recommend that the City secure the blank check stock in the vault at night to avoid the possibility of misuse or theft.

Response:

We have reviewed the above finding with management and their response is attached.

We would like to take this opportunity to thank Monroe City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,

Kimball + Roberts

KIMBALL & ROBERTS
Certified Public Accountants

November 29, 2006
Richfield, Utah

COUNCIL MEMBERS
Warren Monroe
Jean C. Okerlund-Vigil
Johnny Parsons
Perry Payne
J. Oscar Winget

Monroe City Corporation

"Little Green Valley"

Officers
Emalee H. Curtis, CMC/AAE, Recorder
Allison Leavitt, Treasurer
Diane Johnson, Deputy Treasurer
Douglas K. Gadd, Public Works Director

R. Kirt Nilsson, Mayor

Monroe City Council's
Response to 2006 Letter to Management
January 23, 2007

Administration response to audit letter to management:

Members of the Monroe City Council reviewed the audited financial statements for 2005-2006, as prepared by Kimball & Roberts, CPA, at their January 23, 2007 city council meeting. Following are the responses to the recommendations made by Kimball & Roberts.

Non-Material Findings:
FUND BALANCE- The city council concurs that our annual contingency reserve limit should comply with the 18% maximum fund balance of the total estimated revenue of the General Fund. The council is committed to act in a timely manner to transfer the overage in the unappropriated reserve fund to capital projects. Administration is also committed to maintaining the unappropriated reserves in the general fund at or below the required limit.

TIMELY BANK DEPOSITS- We agree that deposits need to be made a maximum of three working days after funds are received. There may be an occasion when scheduling of staff and workload resulted in a delayed deposit. Monroe City is now doing business with a local bank which will allow deposits be made in a more timely manner.

INTERNAL CONTROL- The city council agree that city staff will secure the blank check stock in the vault at night to avoid the possibility of misuse or theft.

Material Finding:
BUDGET SUBMISSION- We concur that the city's annual budget report should be submitted to the state auditor's office by the prescribed deadline. Our tardiness was due to staff illness. The city administration is committed to meeting the required deadline for all future budget submissions.

We appreciate working with you to complete our annual audit.
Sincerely,

R. Kirt Nilsson

R. Kirt Nilsson
Mayor, Monroe City

10 North Main Street - Monroe, Utah 84754 - (435) 527-4621 - Fax (435) 527-4622