MONA CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006

MONA CITY, UTAH

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 1, 2006

Honorable Mayor
Members of the City Council
Mona City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mona City, Utah (City) as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the 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 the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof of those activities and funds, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 1, 2006 on my consideration of Mona City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

THE CPA. NEVER UNDERESTIMATE THE VALUE.®

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mona City's basic financial statements. The combining nonmajor fund statements and the schedule of impact fees described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR 2006

This document is an overview and analysis of the financial activities of Mona City for the fiscal year ending June 30, 2006. This report classifies the financial activities of Mona City into basically two categories: 1) ***General Governmental activities,*** these refer to general administration, parks, cemetery, streets, planning etc. 2) ***Business-type activities,*** these refer to the operations of water and natural gas. Readers are encouraged to consider the information presented here in conjunction with the financial statements that follow this discussion.

FINANCIAL HIGHLIGHTS

- The total net assets of Mona City increased from $4,326,270 to $5,218,603. The governmental net assets increased by $602,230 and the business-type net assets increased by $290,103.

- The total net assets of governmental and business activities is $5,218,603 and is made up of $4,459,792 in capital assets such as land infrastructure and equipment and $758,811 in other net assets. The $758,811 in other assets is made up of $155,313 in capital projects; $135,701 for debt service; $8,486 in a Perpetual Care fund and $459,311 is unrestricted net assets.

- Total long-term liabilities in the business-type activities of the City decreased by $70,750. Mona City does not have any long term debt in government activities.

REPORTING THE CITY AS A WHOLE

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

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

• *The statement of net assets* presents information on all of Mona City's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of Mona City is improving. However, other non-financial factors will also need to be considered.

• *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received

or paid. Both of the government-wide financial statements distinguish functions of Mona City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 12-14 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Mona City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Mona City, assets exceed liabilities by $5,218,603.

By far the largest portion of Mona City's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Current Assets	$ 231,153	$ 163,238	$ 315,645	$ 219,635
Non-Current Assets	3,259,316	2,720,795	2,434,280	2,308,188
Total Assets	3,490,469	2,884,033	2,749,925	2,527,823
Current Liabilities	9,830	5,624	35,514	39,158
Non-Current Liabilities	-	-	976,447	1,040,804
Total Liabilities	9,830	5,624	1,011,961	1,079,962
Net Assets				
Invested in Capital Assets, Net of related Debt	3,196,948	2,665,855	1,262,844	1,059,845
Restricted for				
Debt Service	-	-	135,701	136,076
Capital Projects	112,768	55,534	42,545	53,841
Permanent Fund-Perpetual Care	8,486	8,486	-	-
Unrestricted	162,437	148,534	296,874	198,099
Total Net Assets	$3,480,639	$2,878,409	$1,737,964	$1,447,861

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Revenues				
Program Revenues:				
Charges for Services	$ 99,870	$ 104,683	$ 570,784	$ 472,497
Operating Grants and Contributions	716	2,644	-	-
Capital Grants and Contributions	555,179	367,897	229,184	165,722
General Revenues:				
Property Taxes	50,637	29,911	-	-
Sales and Use Taxes	100,800	51,390	-	-
Other Taxes	12,378	10,569	-	-
Other Revenues	24,664	16,524	-	-
Total Revenues	844,244	583,618	799,968	638,219
Expenses				
General Government	71,359	82,673	-	-
Sanitation	70,035	55,164	-	-
Public Safety	10,781	9,014	-	-
Streets	50,468	44,947	-	-
Parks & Recreation	31,033	31,091	-	-
Cemetery	8,338	6,746	-	-
Water	-	-	143,999	131,658
Natural Gas	-	-	365,866	248,467
Total Expenses	242,014	229,635	509,865	380,125
Change in Net Assets	602,230	353,983	290,103	258,094
Net Assets – Beginning	2,878,409	2,524,426	1,447,861	1,189,767
Prior Period Adjustment	-	-	-	-
Net Assets – Ending	$3,480,639	$ 278,409	$1,737,964	$1,447,861

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2006, the City's governmental funds (General, Capital Projects, and Permanent) reported combined fund equity of $240,669. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be one of the largest single sources of revenue in the General Fund and represent 39% of the general fund revenues. The City maintains two enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget amount was amended from the original budget expenditure of $263,000 to $268,450. There were accounts amended to divert monies to accounts that were over budget. General Government was reduced from $82,000 to $70,300; Sanitation was increased by $1,500, Parks and Recreation was increased by $5,700, Streets increased by $16,200, and Public Safety was amended down $3,250, while and the Cemetery budget was decreased by $3,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Mona City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to $5,452,982 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment.

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

- Improvements and Infrastructure $581,927
- Water Shares and Rights $32,000
- Improvements to Buildings $58,887
- Land Donations from Developers $90,000

MONA CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities	
	2005-2006	2004-2005	2005-2006	2004-2005
Land	$ 2,059,019	$ 1,969,019	$ 1,780	$ 1,780
Buildings	149,951	91,064	-	-
System Improvements	1,262,330	837,488	2,476,248	2,319,163
Machinery & Equipment	15,981	15,981	-	-
Water Shares and Rights	-	-	291,330	259,330
Total	3,487,281	2,913,552	2,769,358	2,580,273
Less Accumulated Depreciation	(290,333)	(247,697)	(513,324)	(462,002)
Net Capital Assets	$ 3,196,948	$ 2,665,855	$ 2,256,034	$ 2,118,271

Long-term debt - At June 30, 2006, the City had total debt outstanding of $995,000 of this amount, $249,000 is considered to be general obligation debt and is backed by the full faith and credit of the City. These general obligation bonds were issued specifically for Natural Gas funding and this enterprise fund provides all funding for the bonds' repayment.

MONA CITY'S OUTSTANDING DEBT

	Business-type Activities	
	2005-2006	2004-2005
General Obligation Bonds		
1997 Natural Gas Funding	$ 249,000	$ 294,000
Revenue Bonds		
2000 Water	686,000	708,000
Notes Payable		
2000 Loan from Mona Irrigation	60,000	63,750
Total	$ 995,000	$ 1,065,750

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The major projects budgeted for fiscal year 2007 include: 1) Completion of the storage bay to the office and the addition to the fire station, both of these projects are funded by Utah Power and Light, 2) Main Street improvements, 3) Get started with work on the Memorial Park.

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MONA CITY, UTAH
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 112,321	$ 275,193	$ 387,514
Accounts Receivable	118,832	40,452	159,284
TOTAL CURRENT ASSETS	231,153	315,645	546,798
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	62,368	178,246	240,614
Capital Assets			
Non Depreciable	2,059,019	293,110	2,352,129
Depreciable Assets (net of Depreciation)	1,137,929	1,962,924	3,100,853
TOTAL NONCURRENT ASSETS	3,259,316	2,434,280	5,693,596
TOTAL ASSETS	3,490,469	2,749,925	6,240,394
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	9,830	35,514	45,344
TOTAL CURRENT LIABILITIES	9,830	35,514	45,344
NONCURRENT LIABILITIES			
Due Within One Year	-	71,750	71,750
Due in more than One Year	-	904,697	904,697
TOTAL NONCURRENT LIABILITIES	-	976,447	976,447
TOTAL LIABILITIES	9,830	1,011,961	1,021,791
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	3,196,948	1,262,844	4,459,792
Restricted for			
Debt Service	-	135,701	135,701
Capital Projects	112,768	42,545	155,313
Permanent Fund-Perpetual Care	8,486	-	8,486
Unrestricted	162,437	296,874	459,311
TOTAL NET ASSETS	$ 3,480,639	$ 1,737,964	$ 5,218,603

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	$ 71,359	$ 22,167	$ -	$ 4,043
Sanitation	70,035	64,313	-	-
Public Safety	10,781	1,813	716	54,843
Streets	57,601	-	-	496,293
Parks and Recreation	23,900	4,624	-	-
Cemetery	8,338	6,953	-	-
Total Governmental Activities	242,014	99,870	716	555,179
Business-type Activities				
Water	143,999	137,005	-	219,861
Natural Gas	365,866	433,779	-	9,323
Total Business-type Activities	509,865	570,784	-	229,184
TOTAL PRIMARY GOVERNMENT	$ 751,879	$ 670,654	$ 716	$ 784,363

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (45,149)	-	$ (45,149)
(5,722)	-	(5,722)
46,591	-	46,591
438,692	-	438,692
(19,276)	-	(19,276)
(1,385)	-	(1,385)
413,751	-	413,751
-	212,867	212,867
-	77,236	77,236
-	290,103	290,103
413,751	290,103	703,854
50,637	-	50,637
12,122	-	12,122
100,800	-	100,800
256	-	256
22,329	-	22,329
2,335	-	2,335
188,479	-	188,479
602,230	290,103	892,333
2,878,409	1,447,861	4,326,270
$ 3,480,639	$ 1,737,964	$ 5,218,603

MONA CITY, UTAH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 112,321	$ -	$ -	$ 112,321
Restricted Cash	37,669	16,213	8,486	62,368
Accounts Receivable	5,221	58,886	-	64,107
Taxes Receivable	44,433	-	-	44,433
Class C Road Receivable	10,292	-	-	10,292
TOTAL ASSETS	$ 209,936	$ 75,099	$ 8,486	$ 293,521
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	$ 9,830	$ -	$ -	$ 9,830
Deferred Revenue	43,022	-	-	43,022
TOTAL LIABILITIES	52,852	-	-	52,852
FUND BALANCE				
Reserved				
Class C Roads	37,669	-	-	37,669
Capital Projects	-	75,099	-	75,099
Perpetual Care	-	-	8,486	8,486
Unreserved	119,415	-	-	119,415
TOTAL FUND EQUITY	157,084	75,099	8,486	240,669
TOTAL LIABILITIES AND FUND EQUITY	$ 209,936	$ 75,099	$ 8,486	$ 293,521

See the accompanying notes to the financial statements

MONA CITY, UTAH

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

JUNE 30, 2006

TOTAL GOVERNMENTAL FUNDS BALANCES	$	240,669
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds		3,196,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		43,022
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	3,480,639

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 149,966	$ -	$ -	$ 149,966
Licenses and Permits	23,283	-	-	23,283
Intergovernmental	49,189	-	-	49,189
Charges for Services	76,587	58,886	-	135,473
Interest	22,329	-	-	22,329
Miscellaneous	2,335	-	-	2,335
TOTAL REVENUES	323,689	58,886	-	382,575
EXPENDITURES				
General Government	68,637	54,843	-	123,480
Sanitation	70,035	-	-	70,035
Public Safety	10,781	4,043	-	14,824
Streets	66,767	-	-	66,767
Parks and Recreation	42,811	-	-	42,811
Cemetery	7,370	-	-	7,370
TOTAL EXPENDITURES	266,401	58,886	-	325,287
EXCESS OF REVENUES OVER EXPENDITURES	57,288	-	-	57,288
OTHER FINANCING SOURCES (USES)				
Transfer from Other Fund	-	35,000	-	35,000
Transfer to Other Fund	(35,000)	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	(35,000)	35,000	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	22,288	35,000	-	57,288
BEGINNING FUND BALANCE	134,796	40,099	8,486	183,381
ENDING FUND BALANCE	$ 157,084	$ 75,099	$ 8,486	$ 240,669

See the accompanying notes to the financial statements

MONA CITY, UTAH

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	$ 57,288
Amounts reported for governmental activities in the statement of activites are different because	
Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues increased by this amount this year.	13,849
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	531,093
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	$ 602,230

See the accompanying notes to the financial statements

MONA CITY, UTAH

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
REVENUES				
Taxes	$ 98,220	$ 98,220	$ 149,966	$ 51,746
Licenses and Permits	24,930	27,930	23,283	(4,647)
Intergovernmental	44,550	44,550	49,189	4,639
Charges for Services	80,300	82,750	76,587	(6,163)
Interest	10,000	10,000	22,329	12,329
Miscellaneous	5,000	5,000	2,335	(2,665)
TOTAL REVENUES	263,000	268,450	323,689	55,239
EXPENDITURES				
General Government	82,000	70,300	68,637	1,663
Sanitation	66,000	67,500	70,035	(2,535)
Public Safety	14,700	11,450	10,781	669
Streets	51,300	67,500	66,767	733
Parks and Recreation	38,000	43,700	42,811	889
Cemetery	11,000	8,000	7,370	630
TOTAL EXPENDITURES	263,000	268,450	266,401	2,049
EXCESS OF REVENUES OVER EXPENDITURES	-	-	57,288	57,288
OTHER FINANCING SOURCES				
Transfer to Other Fund	-	-	(35,000)	35,000
FUND BALANCE ALLOCATION	-	-	-	-
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	$ -	$ -	$ 22,288	$ 22,288

See the accompanying notes to the financial statements

MONA CITY, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 110,803	$ 164,390	275,193
Accounts Receivable	9,518	30,934	40,452
TOTAL CURRENT ASSETS	120,321	195,324	315,645
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	178,246	-	178,246
Capital Assets			
Land	1,780	-	1,780
Water Shares and Rights	291,330	-	291,330
Improvements	1,881,792	594,456	2,476,248
Less Accumulated Depreciation	(360,611)	(152,713)	(513,324)
TOTAL NONCURRENT ASSETS	1,992,537	441,743	2,434,280
TOTAL ASSETS	2,112,858	637,067	2,749,925
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	3,261	15,510	18,771
Accrued Interest Payable	14,440	2,303	16,743
Current Portion of Long-Term Debt	26,750	45,000	71,750
TOTAL CURRENT LIABILITIES	44,451	62,813	107,264
NONCURRENT LIABILITIES			
Notes Payable	56,250	-	56,250
Bonds Payable	663,000	185,447	848,447
TOTAL NONCURRENT LIABILITIES	719,250	185,447	904,697
TOTAL LIABILITIES	763,701	248,260	1,011,961
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	1,053,851	208,993	1,262,844
Restricted			
Bond Requirements	135,701	-	135,701
Impact Fees	42,545	-	42,545
Unrestricted	117,060	179,814	296,874
TOTAL NET ASSETS	$ 1,349,157	$ 388,807	$ 1,737,964

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
OPERATING REVENUES			
Charges for Services	$ 125,480	$ 411,424	$ 536,904
Connection Fees	10,875	18,825	29,700
Miscellaneous	650	3,530	4,180
TOTAL OPERATING REVENUES	137,005	433,779	570,784
OPERATING EXPENSES			
Salaries, Wages and Benefits	10,160	7,933	18,093
Production and Maintenance	65,376	323,437	388,813
Depreciation	39,119	12,202	51,321
TOTAL OPERATING EXPENSES	114,655	343,572	458,227
OPERATING INCOME	22,350	90,207	112,557
NON-OPERATING REVENUES (EXPENSES)			
Impact Fees	40,100	-	40,100
Interest Expense	(29,344)	(22,294)	(51,638)
NET NON-OPERATING REVENUES (EXPENSES)	10,756	(22,294)	(11,538)
INCOME BEFORE CONTRIBUTIONS	33,106	67,913	101,019
Developer Contributions	179,761	9,323	189,084
CHANGE IN NET ASSETS	212,867	77,236	290,103
TOTAL NET ASSETS AT BEGINNING OF YEAR	1,136,290	311,571	1,447,861
TOTAL NET ASSETS AT END OF YEAR	$ 1,349,157	$ 388,807	$ 1,737,964

See the accompanying notes to the financial statements

MONA CITY, UTAH

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 140,186	$ 438,115	$ 578,301
Payments to Suppliers	(62,250)	(329,328)	(391,578)
Payments to Employees	(10,160)	(7,933)	(18,093)
NET CASH FLOWS FROM OPERATING ACTIVITIES	67,776	100,854	168,630
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Impact Fees	40,100	-	40,100
Acquistion of Capital Assets	-	-	-
Bond and Note Principal Payments	(25,750)	(38,607)	(64,357)
Interest Expense	(29,807)	(22,710)	(52,517)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(15,457)	(61,317)	(76,774)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	-	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	52,319	39,537	91,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	236,730	124,853	361,583
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 289,049	$ 164,390	$ 453,439

See the accompanying notes to the financial statements

CITY OF MONA, UTAH

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Water	Natural Gas	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income	$ 22,350	$ 90,207	$ 112,557
Adjustments			
Depreciation	39,119	12,202	51,321
Changes in Assets and Liabilities			
Accounts Receivable	3,181	4,336	7,517
Accounts Payable	3,126	(5,891)	(2,765)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 67,776	$ 100,854	$ 168,630
Noncash Financing and Investing Transactions			
Developer Contributions of Fixed Assets	$ 179,761	$ 9,323	$ 189,084

See the accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

General Government: Mayor and City Council, Treasurer and Recorder

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

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

Parks and Recreation

Cemetery

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

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

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

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

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

The City reports the following major governmental funds:

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

The *capital projects* fund is used to account for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

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

The *natural gas fund* accounts for the activities of the City's natural gas distribution operations.

Activities of these two funds include administration, operations and maintenance of the systems, billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for proprietary fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

NOTE 1 - (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

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

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

B. Restricted assets

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

C. Capital assets

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

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

NOTE 1 - (CONTINUED)

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

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

D. Long-term liabilities

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

E. Fund equity

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

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

F. Net assets

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

NOTE 1 - (CONTINUED)

Inter-Fund Transactions

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

Deferred Revenue

Property taxes due November 30, 2006 and unpaid from 2005 are shown as deferred revenue.

Estimates and Assumptions

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

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

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

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

Capital Asset Differences

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

Land	$ 2,059,019
Buildings and Structures	149,951
Improvements and Infrastructure	1,262,330
Machinery and Equipment	15,981
Less Accumulated Depreciation	(290,333)
Net Capital Asset Difference	$ 3,196,948

Other Long-Term Asset Differences

Property taxes due in November 2006 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2006	$ 43,022

NOTE 2 - (CONTINUED)

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

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

Capital Outlay and Depreciation Differences

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

Contributed Capital	$ 447,820
Capital Outlay	125,909
Depreciation Expense	(42,636)
Net Difference	$ 531,093

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

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

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

NOTE 3 - (CONTINUED)

Tax Revenues

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City'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 City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City 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, none of the City's bank balances of $53,454 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

NOTE 4 - (CONTINUED)

The City 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 subjected 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.

The following are the City's investments at June 30, 2006:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund (PTIF)	$ 581,616	$ 581,616	$ -	$ -	$ -

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 City manages its exposure to declines in fair value by investment 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. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted above.

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

Deposits	$ 46,357
Investments	581,616
Cash on Hand	155
Total	$ 628,128
Cash and Cash Equivalents	$ 387,514
Restricted Cash and Cash Equivalents	240,614
Total	$ 628,128

NOTE 5 - RECEIVABLES

Accounts receivable at June 30, 2006 are presented in the schedule below.

Property taxes are levied on January 1 of 2006, are due in November of 2006, and are budgeted for the 2006 fiscal year. Even though they are not intended to fund the 2006 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

NOTE 5 - (CONTINUED)

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

The following is a summary of receivables at June 30, 2006:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	$ 64,107	$ 40,452	$ 104,559
Property Taxes Receivable	44,433	-	44,433
Class C Road Receivable	10,292	-	10,292
Total	$ 118,832	$ 40,452	$ 159,284

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2006.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	$ 1,969,019	$ 90,000	$ -	$ 2,059,019
Capital Assets being Depreciated				
Buildings and Structures	91,064	58,887	-	149,951
Improvements and Infrastructure	837,488	424,842	-	1,262,330
Machinery and Equipment	15,981	-	-	15,981
Total	2,913,552	573,729	-	3,487,281
Less Accumulated Depreciation	(247,697)	(42,636)	-	(290,333)
Governmental Activities Capital Assets, Net	$ 2,665,855	$ 531,093	$ -	$ 3,196,948

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2006.

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	$ 1,780	$ -	$ -	$ 1,780
Water Shares and Rights	259,330	32,000	-	291,330
Capital Assets being Depreciated				
Improvements and Infrastructure	2,319,163	157,085	-	2,476,248
Total	2,580,273	189,085	-	2,769,358
Less Accumulated Depreciation	(462,002)	(51,322)	-	(513,324)
Governmental Activities Capital Assets, Net	$ 2,118,271	$ 137,763	$ -	$ 2,256,034

NOTE 6 - (CONTINUED)

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

Government Activities	
General Government	$ 2,723
Streets	37,902
Parks and Recreation	1,043
Cemetery	968
Total Depreciation Expense-Governmental Activities	$ 42,636
Business-type Activities	
Water	$ 39,119
Natural Gas	12,202
Total Depreciation Expense-Business-type Activities	$ 51,321

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	$ 9,830	$ 18,771
Accrued Interest Payable	-	16,743
Total Accounts Payable and Accrued Liabilities	$ 9,830	$ 35,514

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Notes Payable					
2002 Loan from Mona Irrigation	$ 63,750	$ -	$ (3,750)	$ 60,000	$ 3,750
General Obligation Bonds					
1997 Natural Gas Refunding	294,000	-	(45,000)	249,000	45,000
Revenue Bonds					
2000 Water	708,000	-	(22,000)	686,000	23,000
	$ 1,065,750	$ -	$ (70,750)	995,000	$ 71,750
Unamortized Bond Issuance and Refunding Costs				(18,553)	
				$ 976,447	

NOTE 8 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2006 were as follows:

Business-type Activities	Interest Rate	Maturity Dates	Current Portion	Long-term Balance
Notes Payable				
2002 Loan from Mona Irrigation (original amount--$125,000)	0.00%	2022	$ 3,750	$ 56,250
Bonds Payable				
Natural Gas Utility General Obligation Refunding, Series 1997, Dated December 23, 1997 (original amount --$340,000)	5.15% to 5.55%	2011	45,000	204,000
Water Revenue Bonds, Series 2000, Dated January 1, 2000 (original amount--$786,000)	4.21%	2026	23,000	663,000
Unamortized Bond Issuance and Refunding Costs			-	(18,553)
Total Business-type Activities Long-term Debt			$ 71,750	$ 904,697

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

	Business-type Activities	
	Principal	Interest
2007	$ 71,750	$ 42,700
2008	72,750	39,234
2009	77,750	35,713
2010	82,750	31,928
2011	85,750	27,892
2012-2016	169,750	106,303
2017-2021	202,750	71,865
2022-2026	231,750	29,553
	$ 995,000	$ 385,188

NOTE 9 - RESERVED FUND EQUITY

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

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 11- RELATED PARTY TRANSACTIONS

The Planning Department's secretary is the daughter of the Mayor. She was paid wages during the 2006 fiscal year. One Council member's parents are the Treasurer and the Cemetery Sexton/Park Superintendent.

SUPPLEMENTARY INFORMATION

MONA CITY, UTAH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Permanent Fund
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ -
Restricted Cash	8,486
TOTAL ASSETS	$ 8,486
FUND BALANCE	
Reserved	
Perpetual Care	8,486
Unreserved	-
TOTAL FUND EQUITY	$ 8,486

MONA CITY, UTAH

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Permanent Fund
REVENUES	
Charges for Services	$ -
TOTAL REVENUES	-
EXPENDITURES	
Cemetery	-
TOTAL EXPENDITURES	-
EXCESS OF REVENUES OVER EXPENDITURES	-
BEGINNING FUND BALANCE	8,486
ENDING FUND BALANCE	$ 8,486

MONA CITY

SCHEDULE OF IMPACT FEES
FOR THE YEAR ENDED JUNE 30, 2006

Mona City collects water impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Water
2005	$ 2,034
2006	40,511
Total	$ 42,545

The City constructed the improvements to the water system in 2001. They plan to use the impact fees collected in the future to repay the related bonds as shown below:

Use of Impact Fees	Projected Cost	Planned Date of Use
Repay Water Bonds	$ 51,881	Annually through 2026

STATE LEGAL COMPLIANCE REPORT

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 1, 2006

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

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mona, Utah, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements and have issued my report thereon dated September 1, 2006. As part of my audit, I have audited the City of Mona's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

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

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

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

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

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

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

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

Greg Ogden, CPA

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

September 1, 2006

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

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Mona, Utah, (City) as of and for the year ended June 30, 2006, which collectively comprise Mona Utah's basic financial statements and have issued my report thereon dated September 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mona City, Utah's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Mona City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying management letter under the heading internal control findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions mentioned above is a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mona, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

CITY OF MONA

MANAGEMENT LETTER
JUNE 30, 2006

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 1, 2006

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

Council Members:

The primary purpose of my audit of the financial statements of the City of Mona, Utah for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

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

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

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

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

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

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

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - GENERAL FUND BALANCE EXCEEDS LIMIT

The State requires cities to maintain their general fund balances between 5% and 18% of the budgeted general fund revenues. For the 2006 fiscal year, Mona was required to maintain their general fund balance between $13,013 and $46,845. The actual general fund balance at the end of the 2005 fiscal year was $119,415.

RECOMMENDATION

You should find a use for the excess general fund balance during the 2007 fiscal year. It can either be used for a 2007 project or it can be moved to a capital project fund and earmarked for a future project.

RESPONSE - MONA CITY

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

FINDING - ONE DEPARTMENT EXCEEDED ITS BUDGET

State law requires that departmental expenditures be limited to the budgeted amounts. The sanitation department exceeded its budget for the year ended June 30, 2006.

RECOMMENDATION

I recommend that expenditures be kept within the budgeted amounts. The City should review the budget at the end of the year and amend it if necessary to ensure that no departmental budgets are overspent.

RESPONSE - MONA CITY

We will be more careful to amend the budget to see that all departments are funded so that none will be overspent.

INTERNAL CONTROL FINDINGS

FINDING - PAST DUE UTILITY ACCOUNTS

The City's past due utility accounts receivable balance has remained relatively high. Of the total receivable at June 30, 2006, 66% was over 30 days past due. The most serious aspect of this is that 24% of the outstanding receivables was more than 90 days past due. In 2000, the outstanding receivables more than 90 days past due was only 3% of the total receivables due.

RECOMMENDATION

The City has a strict policy to shut-off service to anyone who is more than 60 days past due. If this policy were being followed, the outstanding balance of utility accounts receivable would be brought into better control. I recommend that the City Council ensure that the City's policy be followed.

RESPONSE - MONA CITY

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

FINDING - MOTIONS REQUIRED FOR CONTRACT APPROVAL

Several City projects were completed by companies without a contract being officially approved by the City Council. The City's purchasing policy states that purchases over $2,000 shall require the approval of the City Council.

RECOMMENDATION

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

RESPONSE - MONA CITY

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

FINDING - MISSING INVOICES

During my testing of checks and expenses I noted that several of the checks tested did not have invoices supporting the expense.

RECOMMENDATION

Invoices or other documentation should be saved to prove that each check written was for a valid City expense.

RESPONSE - MONA CITY

We will document each expense.

MONA CITY

HOME OF MAJESTIC MT. NEBO
50 West Center, P.O. Box 69
MONA, UT 84645

Everd L. Squire
Treasurer, Mona City

October 20, 2006

MacRay A. Curtis CPA
Utah State Capital Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, UT 84114-2310

To whom it may concern,

The change in status from a Town to a City continues to catch us off guard as to the amount of our funds that can be held over at the end of the fiscal year. This year we will again transfer the needed revenue to a Capital Projects Fund that we have established. We are making plans to use those funds on a Capital Improvement Project in the near future. We have, in fact, made the transfer of those funds as of today.

We were slightly over budget in our Sanitation Budget because of one payment made in July, which was an actual expense in June and was so recorded by our Auditor. In future we will be more careful to budget and/or amend the budget so that there are sufficient funds in all areas of the budget and assign expenses to the year in which they occur.

As treasurer for Mona City I have the responsibility of setting up and tracking the budget each year, so I am the contact person and the one responsible for the budget process. I will endeavor to see that our budget is in compliance in the future.

Sincerely

Everd L. Squire

Everd L. Squire
Mona City Treasurer