



**CITY OF MONA, UTAH
GENERAL PURPOSE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2001**

CITY OF MONA, UTAH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2001

	<u>Starting on Page</u>
INDEPENDENT AUDITOR'S REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet--All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance--All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual--All Governmental Fund Types Requiring Budgets	4
Combined Statement of Revenues, Expenses and Changes in Retained Earnings--All Proprietary Fund Types and Non-Expendable Trust Fund	5
Combined Statement of Cash Flows--All Proprietary Fund Types and Non-Expendable Trust Fund	6
Notes to the Financial Statements	7
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet--Enterprise Funds	15
Combining Statement of Revenues, Expenses and Changes in Retained Earnings--Enterprise Funds	16
Combining Statement of Cash Flows--Enterprise Funds	17
STATE COMPLIANCE REPORT	
Independent Auditor's Report on Legal Compliance	18
GOVERNMENT AUDITING STANDARDS REPORT	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	20

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

November 2, 2001

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

Council Members:

I have audited the accompanying general purpose financial statements of Mona City, Utah as of June 30, 2001, and for the year then ended. These general purpose financial statements are the responsibility of Mona City's management. My responsibility is to express an opinion 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the aforementioned general purpose financial statements present fairly, in all material respects, the financial position of Mona City, Utah at June 30, 2001 and the results of its operations and the cash flows of its proprietary fund types 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 November 2, 2001 on my consideration of Mona City Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Mona City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Greg Ogden,
Certified Public Accountant

CITY OF MONA, UTAH
COMBINED BALANCE SHEET--
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

	GOVERNMENTAL	PROPRIETARY	FIDUCIARY	ACCOUNT	Totals	
	FUND TYPE	FUND TYPE	FUND TYPE	GROUP	(Memorandum Only)	
	General	Enterprise	Non-Expendable Trust	General Fixed Assets	2001	2000
ASSETS						
Pooled Cash and Cash Equivalents	\$	\$ 186,584	\$	\$	\$186,584	\$ 187,324
Cash Restricted for Bond Requirements		39,226			39,226	166,757
Class "C" Roads	65,846				65,846	38,425
Endowments			8,136		8,136	7,536
Accounts Receivable	14,280	22,407			36,687	35,449
Property and Equipment						
Land		1,780		3,538	5,318	5,318
Water Shares and Rights		227,550			227,550	227,550
Buildings				85,411	85,411	85,411
Improvements Other Than Buildings		1,718,152		54,950	1,773,102	1,143,411
Machinery and Equipment		8,698		74,488	83,186	78,686
Automobiles and Trucks				148,740	148,740	151,458
Construction in Progress						362,594
Accumulated Depreciation		(354,656)			(354,656)	(329,197)
Amount to be Provided for Long-Term Debt						86,785
TOTAL ASSETS	\$ 80,126	\$1,849,741	\$ 8,136	\$ 367,127	\$2,305,130	\$2,247,507
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
LIABILITIES						
Liability for Deficit in Pooled Cash	\$ 11,970	\$	\$	\$	\$ 11,970	\$ 25,762
Accounts Payable	4,671	29,018			33,689	7,027
Sales Tax Payable		1,466			1,466	639
Accrued Interest Payable		21,520			21,520	21,873
Customer Utility Deposits		435			435	570
Current Portion of Long-Term Debt		53,000			53,000	47,000
Notes Payable						86,785
Bonds Payable		1,159,799			1,159,799	1,089,767
TOTAL LIABILITIES	16,641	1,265,238			1,281,879	1,279,423
FUND EQUITY AND OTHER CREDITS						
Contributed Capital		1,640			1,640	1,640
Investment in General Fixed Assets				367,127	367,127	365,345
Fund Balances Designated for Class "C" Roads	74,644				74,644	38,425
Unreserved	(11,159)				(11,159)	(13,635)
Retained Earnings						
Reserved for Bond Requirements		39,226			39,226	166,757
Endowments			8,136		8,136	7,536
Unreserved		543,637			543,637	402,016
TOTAL FUND EQUITY AND OTHER CREDITS	63,485	584,503	8,136	367,127	1,023,251	968,084
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 80,126	\$1,849,741	\$ 8,136	\$ 367,127	\$2,305,130	\$2,247,507

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCE--ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2001

	Totals (Memorandum Only)	
	<u>2001</u>	<u>2000</u>
<u>REVENUES</u>		
Taxes	\$ 89,750	\$ 80,872
Licenses and Permits	14,428	19,362
Intergovernmental	77,624	69,834
Charges for Services	50,977	52,888
Interest	12,557	7,023
Miscellaneous	<u>314</u>	<u>522</u>
TOTAL REVENUES	<u>245,650</u>	<u>230,501</u>
<u>EXPENDITURES</u>		
Administrative	83,025	68,360
Public Safety	67,786	58,529
Garbage Collection	44,009	39,480
Highways and Public Improvements	10,365	62,055
Community and Economic Development	477	6,286
Parks, Recreation and Public Property	<u>21,293</u>	<u>27,321</u>
TOTAL EXPENDITURES	<u>226,955</u>	<u>262,031</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,695	(31,530)
<u>OTHER FINANCING SOURCES</u>		
Transfer from Other Fund	<u>20,000</u>	<u>14,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	38,695	(17,530)
FUND BALANCE - JULY 1	24,790	30,733
PRIOR PERIOD ADJUSTMENT	<u> </u>	<u>11,587</u>
FUND BALANCE - JUNE 30	<u>\$ 63,485</u>	<u>\$ 24,790</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL--
ALL GOVERNMENTAL FUND TYPES REQUIRING BUDGETS
YEAR ENDED JUNE 30, 2001

	<u>GENERAL FUND</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Taxes	\$ 96,000	\$ 89,750	\$ (6,250)
Licenses and Permits	10,900	14,428	3,528
Intergovernmental	77,500	77,624	124
Charges for Services	49,900	50,977	1,077
Interest	4,000	12,557	8,557
Miscellaneous	<u> </u>	<u>314</u>	<u>314</u>
TOTAL REVENUES	<u>238,300</u>	<u>245,650</u>	<u>7,350</u>
<u>EXPENDITURES</u>			
Administrative	90,000	83,025	6,975
Public Safety	73,400	67,786	5,614
Garbage Collection	49,000	44,009	4,991
Highways and Public Improvements	12,000	10,365	1,635
Community and Economic Development	2,000	477	1,523
Parks, Recreation and Public Property	<u>23,000</u>	<u>21,293</u>	<u>1,707</u>
TOTAL EXPENDITURES	<u>249,400</u>	<u>226,955</u>	<u>22,445</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,100)	18,695	29,795
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Fund	<u>20,000</u>	<u>20,000</u>	<u> </u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	8,900	38,695	29,795
FUND BALANCE - JULY 1	<u>24,790</u>	<u>24,790</u>	<u> </u>
FUND BALANCE - JUNE 30	<u>\$ 33,690</u>	<u>\$ 63,485</u>	<u>\$ 29,795</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS--ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND YEAR ENDED JUNE 30, 2001

	Enterprise	Non- Expendable Trust	Totals (Memorandum Only)	
			2001	2000
OPERATING REVENUES				
Charges for Services	\$ 240,305	\$ 600	\$ 240,905	\$ 254,005
Miscellaneous	<u>29,542</u>		<u>29,542</u>	<u>2,353</u>
TOTAL OPERATING REVENUES	<u>269,847</u>	<u>600</u>	<u>270,447</u>	<u>256,358</u>
OPERATING EXPENSES				
Salaries and Wages	10,409		10,409	7,825
Materials and Supplies	17,014		17,014	24,910
Professional Services	40,141		40,141	38,182
Maintenance and Repairs	10,278		10,278	2,536
Water Purchases	16,838		16,838	
Natural Gas Purchases	97,482		97,482	77,532
Depreciation	<u>25,459</u>		<u>25,459</u>	<u>22,311</u>
TOTAL OPERATING EXPENSES	<u>217,621</u>		<u>217,621</u>	<u>173,296</u>
OPERATING INCOME	52,226	600	52,826	83,062
NON-OPERATING REVENUES (EXPENSES)				
Impact Fees	36,174		36,174	78,317
Interest Income	1,554		1,554	9,128
Transfer to Other Fund	(20,000)		(20,000)	(14,000)
Interest Expense	<u>(55,864)</u>		<u>(55,864)</u>	<u>(64,385)</u>
NET INCOME	14,090	600	14,690	92,122
RETAINED EARNINGS JULY 1,	<u>568,773</u>	<u>7,536</u>	<u>576,309</u>	<u>484,187</u>
RETAINED EARNINGS JUNE 30,	<u>\$ 582,863</u>	<u>\$ 8,136</u>	<u>\$ 590,999</u>	<u>\$ 576,309</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
COMBINED STATEMENT OF CASH FLOWS--
ALL PROPRIETARY FUND TYPES AND
NON-EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2001

	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	<u>Total (Memorandum Only)</u>	
			<u>2001</u>	<u>2000</u>
<u>CASH FLOWS FROM</u>				
<u>OPERATING ACTIVITIES</u>				
Operating Income	\$ 52,226	\$ 600	\$ 52,826	\$ 83,062
Non-Cash Revenue and Expense Adjustments				
Depreciation Expense	25,459		25,459	22,311
Decrease (Increase) in Accounts Receivable	(2,970)		(2,970)	(3,663)
Increase (Decrease) in Accounts Payable	25,876		25,876	3,142
Sales Tax Payable	827		827	(139)
Accrued Interest Payable	(353)		(353)	7,063
Customer Utility Deposits	(135)		(135)	(234)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>100,930</u>	<u>600</u>	<u>101,530</u>	<u>111,542</u>
<u>CASH FLOWS FROM</u>				
<u>NON-CAPITAL ACTIVITIES</u>				
Transfers to Other Fund	(20,000)		(20,000)	(14,000)
NET CASH FLOWS FROM NON-CAPITAL ACTIVITIES	<u>(20,000)</u>		<u>(20,000)</u>	<u>(14,000)</u>
<u>CASH FLOWS FROM CAPITAL</u>				
<u>AND RELATED FINANCING ACTIVITIES</u>				
Proceeds from Bonds Payable	100,000		100,000	236,000
Impact Fees	36,174		36,174	78,317
Acquisition of Property and Equipment	(267,097)		(267,097)	(208,657)
Acquisition of Water Shares				(11,001)
Bond Principal Payments	(23,968)		(23,968)	(24,247)
Interest Expense	(55,864)		(55,864)	(64,385)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(210,755)</u>		<u>(210,755)</u>	<u>6,027</u>
<u>CASH FLOWS FROM</u>				
<u>INVESTING ACTIVITIES</u>				
Interest Income	1,554		1,554	9,128
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>1,554</u>		<u>1,554</u>	<u>9,128</u>
NET INCREASE (DECREASE) IN CASH	(128,271)	600	(127,671)	112,697
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>354,081</u>	<u>7,536</u>	<u>361,617</u>	<u>248,920</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 225,810</u>	<u>\$ 8,136</u>	<u>\$ 233,946</u>	<u>\$ 361,617</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF MONA, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

History and Organization

Mona was first settled in 1852 and was founded as a City in 1859. Mona was incorporated in about 1924. The City has an elected mayor and four elected council members. The City Clerk and the City Treasurer are appointed.

The financial statements of Mona City, Utah, are prepared in conformity with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Reporting Entity

For financial reporting purposes, the City has included all funds, organizations account groups, agencies, boards, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens of the City.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the activities for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into three broad fund categories and three generic fund types as follows:

GOVERNMENTAL FUNDS

General Fund--The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

PROPRIETARY FUNDS

Enterprise Fund--An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains two enterprise funds; the water and natural gas funds.

FIDUCIARY FUNDS

Trust Funds--Trust Funds are used to account for assets held by the City in a trustee capacity.

The City has one Trust Fund, the Cemetery Perpetual Care Fund, which is a non-expendable trust fund. It is accounted for in essentially the same manner as enterprise funds.

GENERAL FIXED ASSET ACCOUNT GROUP

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for on a spending or financial flow measurement focus.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain fixed assets (i.e., roads, bridges, curbs and gutters, streets, drainage systems and lighting systems) are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Cost of assets acquired through a capital lease is the fair market value at the lease inception date.

PROPRIETARY FUND FIXED ASSETS

Property and equipment used in proprietary fund type operations (i.e., the water and electric) are accounted for within the funds. The amount of such assets reported in the accompanying financial statements is based on historical cost or estimated historical cost if actual historical cost of identifiable assets used by the fund is not available. Annual depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

The estimated useful lives are as follows:

Buildings	25-50 Years
Improvements other than Buildings	25-50 Years
Machinery and Equipment	3- 8 Years
Automobiles and Trucks	3- 8 Years

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities of proprietary funds are accounted for within the respective funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for on a spending or "current financial resources" measurement focus using the modified accrual method of accounting. Modifications to the accrual method of accounting for government fund types are as follows:

Revenues are recorded as the cash is received, except for (a) revenues susceptible to accrual, i.e., measurable and available, (b) material revenues that have not been received at the normal time; and (c) revenues received prior to the period of benefit. Revenues considered to be susceptible to accrual are taxes, interest, and intergovernmental revenue. Determination of when revenue is recognized is as follows:

When property taxes are levied they are measurable. They become available when they are due as long as they are received by the City soon enough to pay liabilities of the current period (not over 60 days after year end). Amounts that are measurable but not available are recorded as deferred revenue.

Sales taxes, use taxes, and franchise taxes are considered measurable when accrued in the records of the intermediary collecting the tax. They become available if received by the City soon enough to pay liabilities of the current period.

Intergovernmental revenues (grant entitlements and shared revenues, etc.) are considered susceptible to accrual if received by the City soon enough to pay liabilities of the current period, with the following exception; the unexpended portion of certain grants is recorded as deferred revenue until expended when verification of expenditures is the prime factor in determining eligibility.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (a) long-term portion of accumulated unpaid vacation and sick pay and (b) principal and interest on general long-term debt which is recognized when due.

Other financing sources and uses are used to account for operating transfers between funds and proceeds of long-term debt issuance.

Proprietary Fund Types are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred following the "economic resources" measurement focus. Therefore, the financial statements of these City fund types are prepared in a manner similar to a private business enterprise.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In accordance with Government Accounting Standards Board (GASB) No 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements if they are issued before November 30, 1989 and do not conflict with GASB pronouncements.

Budgetary Policy

Budgetary procedures for the City have been established by Utah State Statute in the Fiscal Procedures Act for Utah Cities (the Act). The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. In accordance with State law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. At its option the City may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.

Annual budgets are prepared and adopted in accordance with State law by the City Council on or before June 30, for the following fiscal year, beginning July 1. Budgets may be increased by resolution of the City Council at any time during the year, provided a public hearing has been held regarding any proposed increase. Budgets are adopted at sub-department levels. However, budget amendments are required only when excess expenditures occur at the departmental level.

The City prepares a budget for each fund including the operation of the Enterprise Funds.

Under Utah Code, 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.

Total Columns on Combined Statements

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns is not intended to and does not present financial position in conformity with generally accepted accounting principles, neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cash and Cash Equivalents

The City'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 day of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on month-end deposit and investment balances. Each fund's portion of the pool is shown on its respective balance sheet as "pooled cash and cash equivalents".

Investments

Investments include certificates of deposit held in the City of Mona's name by the City of Mona through Far West Bank and deposits in the Utah Public Treasurer's Investment Fund. The investments in the Utah Public Treasurer's Investment Fund include bond escrows held in Mona City's name by the State Treasurer and administered by First Security Bank. The market value of these investments approximated cost at June 30, 2001.

1. **SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Taxes

On or before June 22 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. When these special public hearings are necessary, the adoption of the final budget is made subsequent to June 22. Property taxes are assessed and collected by the Juab County Treasurer 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 of each year. The tax revenues for the fiscal year ended June 30, 2001 are based on the assessed values and tax revenues established in 2000.

Sales taxes are collected by the State Tax Commission and remitted to the City monthly.

Fund Equity

Reservations of fund equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earning are limited to outside third-party and statutory restrictions. Designations of fund equity represent amounts that the City Council have set aside.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from estimates.

Budget Amendment

The general fund budget was amended and increased by \$73,200.

2. **CASH AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized nor are they required to be by State statute.

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

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

2. CASH AND INVESTMENTS (CONTINUED)

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

Cash

At June 30, 2001, the carrying amount and the bank balance of the City's deposits was \$41,467 and \$47,687 respectively. These deposits were entirely covered by federal depository insurance. The total invested in the Utah Public Treasurer's Investment fund at June 30, 2001 was \$246,355.

The Utah Public Treasurer's Investment fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment money market funds.

3. PROPERTY AND EQUIPMENT

The following is a summary of the fixed assets and accumulated depreciation of the enterprise funds at June 30, 2001:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 1,780	\$	\$	\$ 1,780
Water Shares and Rights	227,550			227,550
Improvements Other than Buildings	1,088,461	629,691		1,718,152
Machinery and Equipment	8,698			8,698
Construction in Progress	362,594		362,594	
Accumulated Depreciation	<u>(329,197)</u>	<u>(25,459)</u>		<u>(354,656)</u>
	<u>\$1,359,886</u>	<u>\$ 604,232</u>	<u>\$ 362,594</u>	<u>\$1,601,524</u>

A summary of changes in General Fixed Assets is as follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2001</u>
Land	\$ 3,538	\$	\$	\$ 3,538
Buildings	85,411			85,411
Improvements Other than Buildings	54,950			54,950
Machinery and Equipment	69,988	4,500		74,488
Automobiles and Trucks	<u>151,458</u>		<u>2,718</u>	<u>148,740</u>
	<u>\$ 365,345</u>	<u>\$ 4,500</u>	<u>\$ 2,718</u>	<u>\$ 367,127</u>

4. LONG-TERM DEBT

BONDS PAYABLE

Bonds outstanding at June 30, 2001 were as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Water Revenue Bonds, dated January 1, 2000, (Original Amount --\$786,000)	4.21%	2025	\$ 786,000
Natural Gas Utility Revenue Project Bonds, dated May 1, 1991, (Original Amount--\$305,000)	7.0% to 8.0%	2005	150,000
Natural Gas General Obligation Refunding Bonds, dated December 23, 1997, (Original Amount--\$340,000)	5.15% to 5.55%	2011	<u>325,000</u>
Total Bonds Payable			1,261,000
Less:			
Unamortized Costs of Issuance			12,206
Unamortized Deferred Amount on Refunding Current Portion of Bonds Payable			<u>35,995</u> <u>53,000</u>
 Long-Term Portion of Bonds Payable, Net of Unamortized Costs of Issuance on Deferred Amount on Refunding			 <u>\$1,159,799</u>

The water revenue bonds are payable only from the net revenues of the water system, as defined in the bond ordinances.

<u>Year Ending June 30</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Total</u>
2002	\$ 92,906	\$ 23,030	\$ 115,936
2003	90,838	22,757	113,595
2004	93,698	22,483	116,181
2005	111,091	33,205	144,296
2006	51,807	61,317	113,124
2007-2025	<u>1,028,230</u>	<u>291,957</u>	<u>1,320,187</u>
Total Commitment	1,468,570	454,749	1,923,319
Less Interest Portion	532,570	129,749	662,319
Less Current Portion	48,000	5,000	53,000
Less Unamortized Bond Costs		12,206	12,206
Less Deferred Amount on Refunding		<u>35,995</u>	<u>35,995</u>
Long-Term Portion	<u>\$ 888,000</u>	<u>\$ 271,799</u>	<u>\$ 1,159,799</u>

4. LONG-TERM DEBT (CONTINUED)

In prior years, the City defeased Natural Gas General Obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. On June 30, 2001, \$295,000 of bonds outstanding are considered defeased.

5. CHANGES IN GENERAL LONG-TERM DEBT

	<u>Balance</u> <u>July 1, 2000</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2001</u>
Banc One Corporate Leasing, Fire Truck	\$ 86,785	\$	\$ 86,785	\$

6. RISK MANAGEMENT

Mona City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover these risks at a cost it considers to be economically justifiable. 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 UGLT for its general insurance coverage.

The City also carries errors and omissions 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.

7. RELATED PARTY TRANSACTION

The City's secretary is the daughter of the Mayor. She was paid \$1,192 in wages during the 2001 fiscal year.

8. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the 1999-2000 fiscal year to recognize the fourth quarterly installment of Class C road revenues from the prior year in the amount of \$11,587.



SUPPLEMENTARY INFORMATION

CITY OF MONA, UTAH
COMBINING BALANCE SHEET--ENTERPRISE FUNDS
JUNE 30, 2001

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
ASSETS			
Pooled Cash and Cash Equivalents	\$ 132,833	\$ 53,751	\$ 186,584
Cash Restricted for Bond Requirements	7,919	31,307	39,226
Accounts Receivable	7,673	14,734	22,407
Property and Equipment			
Land	1,780		1,780
Water Shares and Rights	227,550		227,550
Improvements Other Than Buildings	1,174,525	543,627	1,718,152
Machinery and Equipment		8,698	8,698
Accumulated Depreciation	<u>(247,067)</u>	<u>(107,589)</u>	<u>(354,656)</u>
TOTAL ASSETS	<u>\$1,305,213</u>	<u>\$ 544,528</u>	<u>\$1,849,741</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$	\$ 29,018	\$ 29,018
Sales Tax Payable		1,466	1,466
Accrued Interest Payable	16,546	4,974	21,520
Customer Utility Deposits	135	300	435
Current Portion of Long-Term Debt	18,000	35,000	53,000
Bonds Payable	<u>768,000</u>	<u>391,799</u>	<u>1,159,799</u>
TOTAL LIABILITIES	<u>802,681</u>	<u>462,557</u>	<u>1,265,238</u>
FUND EQUITY			
Contributed Capital	1,640		1,640
Retained Earnings			
Reserved for Bond Requirements	7,919	31,307	39,226
Unreserved	<u>492,973</u>	<u>50,664</u>	<u>543,637</u>
TOTAL FUND EQUITY	<u>502,532</u>	<u>81,971</u>	<u>584,503</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,305,213</u>	<u>\$ 544,528</u>	<u>\$1,849,741</u>

CITY OF MONA, UTAH

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS--ENTERPRISE FUNDS YEAR ENDED JUNE 30, 2001

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 85,298	\$ 155,007	\$ 240,305
Miscellaneous	<u>8,012</u>	<u>21,530</u>	<u>29,542</u>
TOTAL OPERATING REVENUES	<u>93,310</u>	<u>176,537</u>	<u>269,847</u>
<u>OPERATING EXPENSES</u>			
Salaries and Wages	6,133	4,276	10,409
Material and Supplies	15,699	1,315	17,014
Professional Services	10,651	29,490	40,141
Maintenance and Repairs	10,278		10,278
Water Purchases	16,838		16,838
Natural Gas Purchases		97,482	97,482
Depreciation	<u>14,045</u>	<u>11,414</u>	<u>25,459</u>
TOTAL OPERATING EXPENSES	<u>73,644</u>	<u>143,977</u>	<u>217,621</u>
OPERATING INCOME	19,666	32,560	52,226
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Impact Fees	36,174		36,174
Interest Income	1,552	2	1,554
Transfer to Other Fund	(20,000)		(20,000)
Interest Expense	<u>(28,907)</u>	<u>(26,957)</u>	<u>(55,864)</u>
NET INCOME	8,485	5,605	14,090
RETAINED EARNINGS JULY 1, 2000	<u>492,407</u>	<u>76,366</u>	<u>568,773</u>
RETAINED EARNINGS JUNE 30, 2001	<u>\$ 500,892</u>	<u>\$ 81,971</u>	<u>\$ 582,863</u>

CITY OF MONA, UTAH
COMBINING STATEMENT OF CASH FLOWS--
ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2001

	<u>Water</u>	<u>Natural Gas</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 19,666	\$ 32,560	\$ 52,226
Non-Cash Revenue and Expense Adjustments			
Depreciation Expense	14,045	11,414	25,459
Decrease (Increase) in Accounts Receivable	(810)	(2,160)	(2,970)
Increase (Decrease) in Accounts Payable	(879)	26,755	25,876
Sales Tax Payable		827	827
Accrued Interest Payable		(353)	(353)
Customer Utility Deposits	<u>(83)</u>	<u>(52)</u>	<u>(135)</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>31,939</u>	 <u>68,991</u>	 <u>100,930</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Transfers to Other Funds	<u>(20,000)</u>	<u> </u>	<u>(20,000)</u>
 NET CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	 <u>(20,000)</u>	 <u> </u>	 <u>(20,000)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from Bonds Payable	100,000		100,000
Impact Fees	36,174		36,174
Acquisition of Property and Equipment	(267,097)		(267,097)
Bond Principal Payments		(23,968)	(23,968)
Interest Expense	<u>(28,907)</u>	<u>(26,957)</u>	<u>(55,864)</u>
 NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(159,830)</u>	 <u>(50,925)</u>	 <u>(210,755)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	<u>1,552</u>	<u>2</u>	<u>1,554</u>
 NET CASH FLOWS FROM INVESTING ACTIVITIES	 <u>1,552</u>	 <u>2</u>	 <u>1,554</u>
 NET INCREASE (DECREASE) IN CASH	 (146,339)	 18,068	 (128,271)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>287,091</u>	 <u>66,990</u>	 <u>354,081</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 140,752</u>	 <u>\$ 85,058</u>	 <u>\$ 225,810</u>

STATE 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 LEGAL COMPLIANCE

November 2, 2001

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

Council Members:

I have audited the general purpose financial statements of the City of Mona, Utah, for the year ended June 30, 2001 and have issued my report thereon dated November 2, 2001. 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, 2001. 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 those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

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

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

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

In my opinion, 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, 2001.


Greg Ogden,
Certified Public Accountant



GOVERNMENT AUDITING STANDARDS REPORT

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

November 2, 2001

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

Council Members:

I have audited the general purpose financial statements of the City of Mona, Utah, as of and for the year ended June 30, 2001, and have issued my report thereon dated November 2, 2001. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

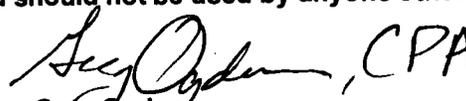
Compliance

As part of obtaining reasonable assurance about whether the City of Mona, Utah's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted several immaterial instances of noncompliance that I have reported to the management of the City of Mona, Utah in a separate letter dated November 2, 2001.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Mona, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the City's management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant

CITY OF MONA

MANAGEMENT LETTER
JUNE 30, 2001

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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 2, 2001

**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, 2001, 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. In this letter I offer constructive service suggestions relative to internal control and other matters that came 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.

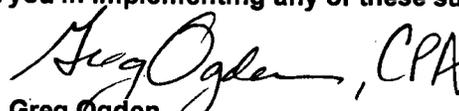
In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2001. Since the 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. This restriction is not intended to limit the distribution of this report, which upon acceptance by the City of Mona, is a matter of public record.

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,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDING - BOND REQUIREMENTS

The 1991 Series Natural Gas Revenue Bonds require that rates charged for natural gas service be sufficiently high to allow gross revenues in the gas fund to exceed 125 percent of the maximum aggregate gas fund debt service. For the 2001 fiscal year, the gas fund gross revenues only provided 80 percent of the maximum aggregate gas fund debt service.

RECOMMENDATION

The cost of natural gas increased dramatically in 2001. This increase means that the City's gas rates will need to be raised to ensure that the City is in compliance with this requirement.

RESPONSE - MONA CITY

We have raised the natural gas rates to a level which, hopefully, will be sufficient to meet the requirements of the revenue bonds.

FINDING - BUILDING PERMIT REPORTS NOT FILED TIMELY

The City is required to file a report and pay .8% of building permits to the Division of Occupational and Professional Licensing no later than 30 days following the end of each quarter. The building permit report was not filed for one quarter in 2001.

RECOMMENDATION

I recommend that the reports be filed within 30 days of the end of each quarter as required.

RESPONSE - MONA CITY

We will file the past due reports. We will file all future reports within 30 days of the end of each quarter.

FINDING - DEFICIT IN UNRESERVED GENERAL FUND BALANCE

The unreserved general fund balance was a deficit of \$11,159 at June 30, 2001. The State Auditor's Office maintains that such a deficit is considered to be an illegally created debt in violation of the Utah Constitution, Section XIV (3). The deficit should be made up in the following fiscal year.

RECOMMENDATION

General fund expenditures should be controlled carefully during the 2001-2001 fiscal year to ensure that the deficit unreserved fund balance is eliminated.

RESPONSE

We will limit our general fund expenditures in the next fiscal year to ensure that the problem with our general fund balance is resolved.

FINDING - CASH ERRORS

Two cash accounts were added to the City's books in error during the 2001 fiscal year. These two accounts were already on the City's books, but were duplicated by mistake.

RECOMMENDATION

Great care should be taken to ensure that all cash accounts are reconciled to their related statements monthly. Monthly reconciliations of all bank statements to the City's books will eliminated the chance of cash being recorded twice.

RESPONSE

We will reconcile each bank account monthly as recommended by the auditor.