

**CITY OF DELTA, UTAH
INDEPENDENT AUDITORS' REPORT
GENERAL-PURPOSE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

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JUNE 30, 2002**

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INDEPENDENT AUDITORS' REPORT

August 29, 2002

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The Honorable Mayor, and
Members of the City Council
City of Delta, Utah

Mayor and Council Members:

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We have audited the accompanying general-purpose financial statements of the City of Delta, Utah, as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the management of the City of Delta, Utah. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Delta, Utah, as of June 30, 2002, and the results of its operations and cash flows for the proprietary fund types and non-expendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2002, on our consideration of Delta City's internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our 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 as Supplementary Information and Schedules, in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the general-purpose financial statements of the City of Delta, Utah. The information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.



Peterson & Associates, P.C.
Certified Public Accountants

CITY OF DELTA, UTAH
COMBINED BALANCE SHEET—
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2001)

	GOVERNMENTAL FUND TYPES		PROPRIETARY FIDUCIARY FUND TYPES			ACCOUNT GROUPS			TOTALS	
	General	Debt Service	Capital Projects	Enterprise	Trusts	General	Fixed Assets	General Long-Term Debt	(Memorandum Only)	
									2002	2001
ASSETS AND OTHER DEBITS										
ASSETS										
Cash and Cash Equivalents	\$ 187,389	\$	\$	\$ 773,577	\$ 25,737	\$	\$	\$	\$ 986,703	\$ 304,653
Prepaid Expenses	30,214			12,911					43,125	6,637
Receivables:										
Utility Billings	13,924			67,609					81,533	74,036
Other	120,403								120,403	142,015
Due From Other Funds	2,459	88,000	5,672	35,455					88,131	8,269
Inventory		23,706							57,161	42,385
Restricted Assets:										
Cash and Cash Equivalents	143,589	33,841	132,366	22,302	36,955				369,153	1,121,555
Investments		775,962							775,962	760,070
Interest Receivable		24,305							24,305	24,305
Property and Equipment (Net, Where Applicable, of Depreciation):										
Land			23,534			154,738			178,272	178,272
Buildings and Systems			2,240,403			1,374,836			3,615,239	3,668,349
Improvements Other than Buildings			23,140			496,964			520,110	453,218
Machinery and Equipment			153,550			385,397			538,947	525,766
Office Furniture and Equipment			6,255			131,588			131,588	125,145
Vehicles						466,256			472,511	395,955
Water Rights			290,024						290,024	282,534
OTHER DEBITS										
Amount Available in Debt Service Fund								834,208	834,208	818,316
Amount to be Provided for Retirement of Long-Term Debt								66,059	66,059	130,700
TOTAL ASSETS AND OTHER DEBITS	\$ 497,978	\$ 834,208	\$ 234,072	\$ 3,654,438	\$ 62,692	\$ 3,009,779	\$ 900,267	\$ 9,193,434	\$ 9,062,103	\$ 9,062,103

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

CITY OF DELTA, UTAH
 COMBINED BALANCE SHEET--
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2001)

	GOVERNMENTAL FUND TYPES		PROPRIETARY FIDUCIARY FUND TYPES			ACCOUNT GROUPS			TOTALS	
	General	Debt Service	Capital Projects	Enterprise	Trusts	General Fixed Assets	General Long-Term Debt	(Memorandum Only)		
								2002	2001	
LIABILITIES AND FUND EQUITY										
LIABILITIES										
Accrued Liabilities	\$ 53,199	\$	\$	\$ 6,044	\$	\$	\$	\$ 59,243	\$ 57,430	
Due to Other Funds	85,672			2,459				88,131	8,269	
Customer Deposits	7,513			12,060				19,573	14,795	
Current Portion of Bonds Payable						767,267		767,267	767,267	11,877
Revenue Bonds Payable						133,000		133,000	139,000	957,882
General Obligation Bonds Payable						900,267		900,267	1,067,214	1,188,463
TOTAL LIABILITIES	146,384			20,563						
FUND EQUITY										
Contributed Capital				2,660,398				2,660,398	2,717,987	
Investment in General Fixed Assets						3,009,779		3,009,779	2,760,640	
Retained Earnings: Reserved for:										
Bond Requirements				973,577				973,577	633,438	
Unreserved									246,814	
Fund Balances: Reserved for:										
Road Improvements	131,169								131,169	85,571
Fire Department	12,420								12,420	13,497
Debt Service		834,208							834,208	818,316
Library							36,955		36,955	37,818
Capital Projects			212,366						212,366	313,164
Inventories			21,706						21,706	11,589
Unreserved	208,005						25,737		233,743	234,986
TOTAL FUND EQUITY	351,594	834,208	234,072	3,633,875	62,692	3,009,779		8,126,220	9,193,434	7,873,640
TOTAL LIABILITIES AND FUND EQUITY	\$ 497,978	\$ 834,208	\$ 234,072	\$ 3,654,438	\$ 62,692	\$ 3,009,779	\$ 900,267	\$ 9,193,434	\$ 9,062,103	

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES
AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	TOTALS (Memorandum Only)	
	General	Debt Service	Capital Projects	Expendable Trust	2002	2001
REVENUES						
Taxes	\$ 1,045,548	\$ 10,170	\$	\$	\$ 1,055,718	\$ 968,519
Licenses and Permits	42,905				42,905	33,513
Intergovernmental	225,773				225,773	222,908
Charges for Services	218,396				218,396	186,566
Fines and Forfeitures	37,535				37,535	33,783
Interest	7,896	83,328	6,224	736	98,184	109,166
Miscellaneous	50,316				50,316	55,075
TOTAL REVENUES	1,628,369	93,498	6,224	736	1,728,827	1,609,530
EXPENDITURES						
General Government	445,700				445,700	393,381
Public Safety	355,181				355,181	336,663
Public Works	467,879				467,879	577,640
Parks and Public Property	220,008				220,008	166,315
Capital Outlay			176,905	4,760	181,665	114,840
Debt Service						
Principal		48,785			48,785	45,933
Interest and Fees		41,121			41,121	43,113
TOTAL EXPENDITURES	1,488,768	89,906	176,905	4,760	1,760,339	1,677,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	139,601	3,592	(170,681)	(4,024)	(31,512)	(68,355)
OTHER FINANCING SOURCES (USES)						
Transfers In		12,300	80,000		92,300	87,209
Transfers Out	(92,300)				(92,300)	(87,209)
TOTAL OTHER FINANCING SOURCES (USES)	(92,300)	12,300	80,000			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	47,301	15,892	(90,681)	(4,024)	(31,512)	(68,355)
FUND BALANCE - JULY 1	304,293	818,316	324,753	29,761	1,477,123	1,545,478
FUND BALANCE - JUNE 30	\$ 351,594	\$ 834,208	\$ 234,072	\$ 25,737	\$ 1,445,611	\$ 1,477,123

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
BUDGET AND ACTUAL -- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	GENERAL FUND			DEBT SERVICE			CAPITAL PROJECTS			EXPENDABLE TRUST FUNDS		
	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)
REVENUES												
TAXES AND ASSESSMENTS:												
Property Taxes	\$ 313,204	\$ 321,831	\$ 8,627	\$ 10,170	\$ 10,170	\$	\$	\$	\$	\$	\$	\$
General Sales and Use Taxes	550,000	590,937	40,937									
Franchise Taxes	135,000	132,780	(2,220)									
TOTAL TAXES	998,204	1,045,548	47,344	10,170	10,170							
LICENSES AND PERMITS:												
Business Licenses	20,000	20,328	328									
Building Permits	15,100	19,597	4,497									
Animal Licenses	3,800	3,988	188									
TOTAL LICENSES AND PERMITS	37,900	43,913	5,005									
INTERGOVERNMENTAL REVENUE:												
Federal Revenue	4,289	4,289										
State Revenue	164,235	158,086	(6,149)									
Other Revenue	62,398	63,398	1,000									
TOTAL INTERGOVERNMENTAL REVENUE	230,922	225,773	(5,149)									
CHARGES FOR SERVICES:												
Salaries	134,000	133,816	(184)									
Aviation Fuel Sales	12,500	16,604	4,104									
Administrative Charges and Reimbursements	48,070	46,220	(1,850)									
Rentals and Fees	23,377	21,756	(1,621)									
TOTAL CHARGES FOR SERVICES	217,947	218,396	449									
FINES AND FORFEITURES	34,725	37,535	2,810									
INTEREST EARNINGS	7,591	7,896	305	67,436	83,328	15,892	6,265	6,224	(41)	735	736	1
MISCELLANEOUS:												
Reimbursements	27,555	27,555										
Other	12,460	21,761	10,301									
TOTAL MISCELLANEOUS	40,015	50,316	10,301									
TOTAL REVENUE	1,567,364	1,628,369	61,065	77,606	93,498	15,892	6,265	6,224	(41)	735	736	1

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	GENERAL FUND			DEBT SERVICE			CAPITAL PROJECTS			EXPENDABLE TRUST FUNDS		
	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)
EXPENDITURES												
GENERAL GOVERNMENT:												
Mayor and Council	56,555	56,431	124									
Judicial	38,274	36,130	2,144									
Treasurer	43,356	43,184	172									
Recorder	118,020	116,250	1,770									
Attorney	99,285	95,469	3,816									
City Hall	100,705	97,236	3,469									
TOTAL GENERAL GOVERNMENT	456,195	445,700	10,495									
PUBLIC SAFETY:												
Law Enforcement	245,873	245,745	128									
Fire Department	88,938	83,741	5,197									
Building Inspection	8,300	7,878	422									
Animal Control	22,756	17,817	4,939									
TOTAL PUBLIC SAFETY	365,867	355,181	10,686									
PUBLIC WORKS:												
Streets	454,172	326,431	127,741									
Sanitation	131,500	130,179	1,321									
Irrigation	14,154	11,269	2,885									
TOTAL HIGHWAYS AND PUBLIC IMPROVEMENTS	599,826	467,879	131,947									
PARKS AND PUBLIC PROPERTY:												
Parks	38,754	38,355	399									
Library	114,405	114,236	169									
Airport	45,025	43,624	1,401									
Celebrations	24,747	23,793	954									
TOTAL PARKS AND PUBLIC PROPERTY	222,931	220,008	2,923									
CAPITAL OUTLAY												
DEBT SERVICE:												
Principal				48,785	48,785							
Interest and Fees				41,121	41,121							
TOTAL DEBT SERVICE				89,906	89,906							
TOTAL EXPENDITURES	1,644,819	1,488,768	156,051	89,906	89,906		224,567	176,905	47,662	4,760	4,760	

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
BUDGET AND ACTUAL -- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	GENERAL FUND			DEBT SERVICE			CAPITAL PROJECTS			EXPENDABLE TRUST FUNDS		
	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)	Budget	Actual	Variance-- Favorable (Unfavorable)
EXPENDITURES (Continued)												
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(77,515)	139,601	217,116	(12,300)	3,592	15,892	(218,302)	(170,681)	47,621	(4,025)	(4,024)	1
OTHER FINANCING SOURCES (USES)												
Operating Transfers In:												
Operating Transfers Out:	(137,300)	(92,300)	(45,000)	12,300	12,300		125,000	80,000				
TOTAL OTHER FINANCING SOURCES (USES)	(137,300)	(92,300)	(45,000)	12,300	12,300		125,000	80,000				
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$ 214,815)	47,301	\$ 172,116	\$	15,892	\$ 15,892	(\$ 93,302)	(90,681)	\$ 2,621	(\$ 4,025)	(4,024)	\$ 1
FUND BALANCES - JULY 1		304,293			818,316			324,753			29,761	
FUND BALANCE - JUNE 30		\$ 351,594			\$ 834,208			\$ 234,072			\$ 25,737	

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS--
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	PROPRIETARY FIDUCIARY		TOTALS (Memorandum Only)	
	FUND TYPES	FUND TYPES		
	Enterprise Funds	Nonexpendable Trust Funds	2002	2001
OPERATING REVENUES				
Charges for Services	\$ 575,576	\$	\$ 575,576	\$ 548,736
Miscellaneous	3,565	250	3,815	7,379
TOTAL OPERATING REVENUES	579,141	250	579,391	556,115
OPERATING EXPENSES				
Salaries	183,608		183,608	161,490
Employee Benefits	70,250		70,250	60,043
Professional Services	10,591		10,591	12,425
Materials and Supplies	26,628		26,628	47,812
Repairs and Maintenance	23,714		23,714	29,637
Office Supplies	9,380		9,380	8,119
Utilities	44,233		44,233	46,221
Telephone	3,215		3,215	4,007
Travel and Training	1,268		1,268	1,454
Insurance	9,778		9,778	11,483
Depreciation	160,073		160,073	84,448
Administrative Charges	29,900		29,900	29,901
Rent	4,600		4,600	4,600
Bad Debt	2,159		2,159	1,568
TOTAL OPERATING EXPENSES	579,397		579,397	503,208
OPERATING INCOME (LOSS)	(256)	250	(6)	52,907
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	34,528	1,087	35,615	46,723
Interest Expense and Service Fees	(5,945)	(2,200)	(8,145)	(16,080)
TOTAL NON-OPERATING REVENUES (EXPENSES)	28,583	(1,113)	27,470	30,643
NET INCOME (LOSS)	28,327	(863)	27,464	83,550
Transfer of depreciation on fixed assets acquired with contributed capital from contributed capital to retained earnings	64,998		64,998	64,998
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCE	93,325	(863)	92,462	148,548
RETAINED EARNINGS/FUND BALANCE - JULY 1	880,252	37,818	918,070	769,522
RETAINED EARNINGS/FUND BALANCE - JUNE 30	\$ 973,577	\$ 36,955	\$ 1,010,532	\$ 918,070

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

CITY OF DELTA, UTAH
COMBINED STATEMENT OF CASH FLOWS--
ALL PROPRIETARY FUND TYPES AND
NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2001)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	Enterprise Funds	Non-Expendable Trust Funds	TOTALS (Memorandum Only)	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	(\$ 256)	\$ 250	(\$ 6)	\$ 52,907
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation Expense	160,073		160,073	84,448
(Increase) Decrease in Accounts Receivable	6,427		6,427	(6,389)
(Increase) Decrease in Prepaid Expenses	(12,911)		(12,911)	
(Increase) Decrease in Due From Other Funds	(1,692)		(1,692)	(3,980)
(Increase) Decrease in Inventories	(4,739)		(4,739)	142
Increase (Decreases) in Due to Other Funds	2,296		2,296	(18,321)
Increase (Decrease) in Accrued Liabilities	6,045		6,045	
Increase (Decrease) in Customer Deposits	2,385		2,385	7,669
NET CASH PROVIDED BY OPERATING ACTIVITIES	157,628	250	157,878	116,476
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Revenue Bonds	(158,950)		(158,950)	(25,056)
Interest Paid on Revenue Bonds	(5,945)	(2,200)	(8,145)	(16,080)
Acquisition of Property and Equipment	(20,898)		(20,898)	(126,933)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(185,793)	(2,200)	(187,993)	(168,069)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	34,528	1,087	35,615	46,723
NET CASH PROVIDED BY INVESTING ACTIVITIES	34,528	1,087	35,615	46,723
NET INCREASE (DECREASE) IN CASH	6,363	(863)	5,500	(4,870)
CASH AT BEGINNING OF YEAR	789,516	37,818	827,334	832,204
CASH AT END OF YEAR	\$ 795,879	\$ 36,955	\$ 832,834	\$ 827,334
Cash and Cash Equivalents				
Unrestricted	\$ 773,577	\$	\$ 773,577	\$ 156,078
Restricted	22,302	36,955	59,257	671,256
	\$ 795,879	\$ 36,955	\$ 832,834	\$ 827,334

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

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Delta City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. The financial statements of Delta City include those of separately administered organizations that are controlled by or are dependent on the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of Delta City, Utah, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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 City has the following fund types and account groups:

Governmental funds are used to account for the City's general City activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after the end of the year.

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Millard County prior to the commencement of the fiscal year. 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. Property taxes are collected by the Millard County Treasurer and remitted to the City shortly after collection.

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

Governmental funds used by Delta City include the following fund types:

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.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital improvements (other than those financed by enterprise and similar trust funds).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

Proprietary funds used by Delta City include the following fund type:

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of which is to have the costs of providing goods and services to the general public on a continuing basis financed or recovered primarily through user charges.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

The *expendable trust fund* is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

The *nonexpendable trust fund* is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. **Applicable Accounting Standards**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the City has adopted GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements as well as 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. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 for proprietary activities.

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City considers cash and cash equivalents to be cash on hand, demand deposits, and all short-term investments with original maturities within three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on deposit and investment balances. All investments are stated at fair value based on market prices as of year-end.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables" (i.e., the current portion of interfund loans) or advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories

Inventory is valued at the lower of cost or market value and the City uses the first-in, first-out (FIFO) flow assumption determined by the moving weighted average method. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

4. Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions of bond resolutions. Customer deposits are restricted in the enterprise funds. Amounts held in the trust fund and Capital Project funds are restricted to be used for future project expenditures.

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

5. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus.

Fixed assets used in governmental fund types are recorded in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. No depreciation has been provided on general fixed assets.

Fixed assets used in proprietary fund type operations (i.e., the Water and Sewer funds) are accounted for within their respective funds. Annual depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements other than buildings	15-40 Years
Machinery and Equipment	5-40 Years
Autos and Trucks	3-7 Years
Office Furniture	5-15 Years

Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets acquired through a capital lease are recorded at the fair market value at the lease inception date. Public domain general fixed assets or infrastructure are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay associated with governmental funds are accrued and reported in the general long-term debt account group. No expenditure is reported for these amounts.

7. Long-term Obligations

The City reports long-term debt of the governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

9. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

10. Memorandum Only Total Columns

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.

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgetary procedures for the City have been established by Utah State statute in the Fiscal Procedures Act for Utah Cities. 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.

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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH AND INVESTMENTS

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 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.

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

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

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, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

The Utah Public Treasurers' 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. UPTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Utah Money Management Act. The Act establishes the Money Management Council, which oversees the activities of the State Treasurer and the UPTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The UPTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the UPTIF are allocated to participants on the ratio of the participant's average daily balance.

Cash

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. For the years ended June 20, 2002 and 2001, the City's carrying amount of deposits was \$92,084 and \$102,260 and the bank balance was \$213,071 and \$209,652, respectively. Of the bank balance, \$133,593 and \$137,027 was covered by Federal Depository Insurance. Deposits are not collateralized nor are they required to be by State statute.

Investments

The City's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealers trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the City's name.

	<u>CATEGORY</u>			<u>Carrying Amount and Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments:				
U.S. Government Securities	\$ 775,962	—	—	\$ 775,962
Total Categorized Investments	<u>\$ 775,962</u>	<u>\$ —</u>	<u>\$ —</u>	775,962

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

Investments Not Subject to Categorization:	
Utah Public Treasurer's Investment Fund	<u>1,263,447</u>
 Total Investments	 2,039,409
 Deposits with Banks	 92,084
Cash on Hand	<u>325</u>
 Total Cash and Investments	 <u>\$ 2,131,818</u>

Amounts shown on combined balance sheet:	
Cash and Cash Equivalents	\$ 986,703
Restricted Assets	
Cash and Cash Equivalents	369,153
Investments	<u>775,962</u>
 Total	 <u>\$ 2,131,818</u>

B. FIXED ASSETS

The following is a summary of the fixed assets and accumulated depreciation of the Enterprise Funds at June 30, 2002.

	<u>Balance</u>	<u>Accumulated Depreciation</u>	<u>Net of Depreciation</u>
Land	\$ 23,534	\$	\$ 23,534
Buildings and Systems	4,522,912	2,282,509	2,240,403
Other improvements	40,123	16,977	23,146
Machinery and equipment	353,049	199,499	153,550
Vehicles	89,190	82,935	6,255
Water rights	<u>290,024</u>	<u>-</u>	<u>290,024</u>
 Total	 <u>\$5,318,832</u>	 <u>\$2,581,920</u>	 <u>\$2,736,912</u>

Activity in the General Fixed Assets Account Group was as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2002</u>
Land	\$ 154,738	\$	\$	\$ 154,738
Buildings	1,317,216	57,620		1,374,836
Other improvements	436,338	60,626		496,964
Office furniture and Equipment	125,145	7,228	(785)	131,588
Machinery and Equipment	339,678	50,779	(5,060)	385,397
Vehicles	<u>387,525</u>	<u>80,898</u>	<u>(2,167)</u>	<u>466,256</u>
 Total	 <u>\$2,760,640</u>	 <u>\$257,151</u>	 <u>\$ (8,012)</u>	 <u>\$3,009,779</u>

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

C. LONG-TERM DEBT

At June 30, 2002, long-term obligations reported in the general long-term debt account group included the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Road Improvement Bonds, (Original Amount \$1,300,000)	4.5%	July, 2015	\$ 767,267
General Obligation Bonds, (Original Amount \$143,990)	3.0%	July, 2020	<u>133,000</u>
Total			\$ <u>900,267</u>

The road improvement bonds are paid by income from restricted investments and by Class C road funds from the State.

Changes in General Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2002</u>
Revenue Bonds	\$ 810,019	\$ -	\$ 42,752	\$ 767,267
G.O. Bonds	<u>139,000</u>	-	<u>6,000</u>	<u>133,000</u>
Total	<u>\$ 949,019</u>	<u>\$ -</u>	<u>\$ 48,752</u>	<u>\$ 900,267</u>

Annual debt service requirements to maturity for the bonds is as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 50,711	\$ 38,515
2004	52,723	36,323
2005	54,825	34,041
2006	57,022	31,664
2007	59,318	29,188
2008-2012	339,816	104,716
2013-2017	258,852	27,691
2018-2021	<u>27,000</u>	<u>1,620</u>
Total	\$ <u>900,267</u>	\$ <u>303,758</u>

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

The water revenue bond was paid in full during the year ended June 30, 2002. At such time the City was released from the bonds agreements including various restrictive covenants such as those requiring the maintenance of various reserve and sinking fund accounts.

D. COMMITMENTS AND CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of the City's management, the potential for a material liability due to future audit disallowance is remote.

E. CONTRIBUTED CAPITAL

The changes in contributed capital were as follows:

	<u>Water</u>	<u>Sewer</u>
Beginning Balance	\$1,124,323	\$1,593,483
Contributions From:		
Outside Entities	<u>7,490</u>	
Total Contributions	7,490	-
Less:		
Depreciation of Contributed Assets	<u>(24,330)</u>	<u>(40,668)</u>
Ending Balance	<u>\$1,107,483</u>	<u>\$1,552,815</u>

F. RETIREMENT PLANS

Utah State Retirement

Plan Description. The City of Delta contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act, in Chapter 49, provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by

CITY OF DELTA, UTAH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, and Local Governmental Noncontributory Retirement System for employers with social security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Contributory Retirement System are required to contribute 6% of their annual covered salary (all or part may be paid by the employer for the employee) and Delta City is required to contribute 6.31% of their annual covered salary. In the Local Governmental Noncontributory Retirement System, Delta City is required to contribute 10.32% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Delta City contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2002, 2001, and 2000 were \$0, \$621, and \$4,244, respectively. For the Noncontributory Retirement System the contributions for June 30, 2002, 2001, and 2000 were \$31,439, \$34,703, and \$32,556, respectively. The contributions were equal to the required contributions for each year.

401(k) Plan

The employees of Delta City also participate in a 401(k) deferred compensation plan. The amount of the employer's contributions for the year ended June 30, 2002 was \$11,924.

457 Deferred Compensation Plan

The Utah Retirement Systems (URS) have adopted Governmental Accounting Standards Board Statement 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" of URS rather than previously reported as an "Agency Fund" of Delta City. The assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants of their beneficiaries and are not the assets of the employer.

G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased insurance policies through various companies. A list of insurance and bonding coverage can be found in the bond covenant section of the bond report.

**CITY OF DELTA, UTAH
COMBINING BALANCE SHEET--
CAPITAL PROJECT FUNDS
JUNE 30, 2002**

	Equipment Acquisition	Streets and Drainage	County Revenue Sharing	Library Expansion	Municipal Airport Improvements	Complex Renovation	Total
ASSETS							
Due From Other Funds	\$	\$ 20,000	\$	\$	\$	\$ 60,000	\$ 80,000
Inventory		21,706					21,706
Restricted Assets:							
Cash and Cash Equivalents	30,914	51,017			31,879	18,556	132,366
TOTAL ASSETS	\$ 30,914	\$ 92,723			\$ 31,879	\$ 78,556	\$ 234,072
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Due to Other Funds	\$	\$	\$	\$	\$	\$	
TOTAL LIABILITIES							
FUND EQUITY							
Reserved For:							
Capital Projects	30,914	71,017			31,879	78,556	212,366
Inventories		21,706					21,706
TOTAL FUND EQUITY	30,914	92,723			31,879	78,556	234,072
TOTAL LIABILITIES AND FUND EQUITY	\$ 30,914	\$ 92,723			\$ 31,879	\$ 78,556	\$ 234,072

CITY OF DELTA, UTAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Equipment Acquisition	Streets and Drainage	County Revenue Sharing	Library Expansion	Municipal Airport Improvements	Complex Renovation	Total
REVENUES							
Interest Income	\$ 937	\$ 1,933	\$ 789	\$ 808	\$ 902	\$ 855	\$ 6,224
TOTAL REVENUES	937	1,933	789	808	902	855	6,224
EXPENDITURES							
Capital Outlay:							
Public Works		15,081					15,081
Parks and Public Property	23,422		83,550	41,067		13,785	161,824
TOTAL EXPENDITURES	23,422	15,081	83,550	41,067		13,785	176,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(22,485)	(13,148)	(82,761)	(40,259)	902	(12,930)	(170,681)
OTHER FINANCING SOURCES (USES)							
Transfers In		20,000				60,000	80,000
TOTAL OTHER FINANCING SOURCES (USES)		20,000				60,000	80,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(22,485)	6,852	(82,761)	(40,259)	902	47,070	(90,681)
FUND BALANCE - JULY 1	53,399	85,871	82,761	40,259	30,977	31,486	324,753
FUND BALANCE - JUNE 30	\$ 30,914	\$ 92,723	\$	\$	\$ 31,879	\$ 78,556	\$ 234,072

CITY OF DELTA, UTAH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—BUDGET AND ACTUAL—
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	Equipment Acquisition		Streets and Drainage		County Revenue Sharing		Library Expansion		Municipal Airport Improvements		Complex Renovation		Totals	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES	\$ 936	\$ 937	\$ 1,930	\$ 1,933	\$ 800	\$ 789	\$ 825	\$ 808	\$ 900	\$ 902	\$ 875	\$ 855	\$ 6,265	\$ 6,264
Interest Income	2	2	3	3	3	3	(11)	(17)	2	2	2	2	(20)	(41)
TOTAL REVENUES	938	939	1,933	1,936	803	792	814	791	902	904	877	857	6,245	6,223
EXPENDITURES														
Capital Outlay:														
Public Works	23,422	23,422	61,500	15,081	83,561	83,550	41,084	41,067	15,000	15,000	15,000	13,785	163,067	161,824
Parks and Public Property	23,422	23,422	61,500	15,081	83,561	83,550	41,084	41,067	15,000	15,000	15,000	13,785	224,567	176,985
TOTAL EXPENDITURES	(22,487)	(22,485)	(59,570)	(13,148)	(82,761)	(82,761)	(40,259)	(40,259)	900	902	(14,125)	(12,930)	(218,302)	(170,681)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11	11	11	11	11	11	11	11	2	2	2	2	1,943	1,542
OTHER FINANCING SOURCES (USES)														
Transfers In	40,000	40,000	20,000	(20,000)	15,000	(15,000)	70,000	60,000	15,000	(10,000)	125,000	80,000	125,000	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	40,000	40,000	20,000	(20,000)	15,000	(15,000)	70,000	60,000	15,000	(10,000)	125,000	80,000	125,000	(45,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (22,487)	\$ (22,485)	\$ (19,570)	\$ 6,832	\$ (82,761)	\$ (82,761)	\$ (40,259)	\$ (40,259)	\$ 15,900	\$ 902	\$ (14,998)	\$ 55,875	\$ (93,302)	\$ (94,681)
FUND BALANCE—JULY 1	53,399	53,399	85,871	85,871	82,761	82,761	40,259	40,259	30,977	30,977	31,486	31,486	324,783	324,783
FUND BALANCE—JUNE 30	\$ 30,914	\$ 30,914	\$ 97,723	\$ 97,723					\$ 31,879	\$ 31,879	\$ 78,556	\$ 78,556	\$ 234,872	\$ 234,872

CITY OF DELTA, UTAH
COMBINING BALANCE SHEET—
ENTERPRISE FUNDS
JUNE 30, 2002

	Water	Sewer	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 513,450	\$ 260,127	\$ 773,577
Prepaid Expenses	7,787	5,124	12,911
Receivables:			
Utility Billings	47,603	20,006	67,609
Due From Other Funds	5,672		5,672
Inventory	26,184	9,271	35,455
Restricted Assets:			
Cash and Cash Equivalents	22,302		22,302
TOTAL CURRENT ASSETS	622,998	294,528	917,526
PROPERTY AND EQUIPMENT			
Land	11,767	11,767	23,534
Buildings and Systems	2,100,558	2,422,354	4,522,912
Accumulated Depreciation Buildings and Systems	(1,042,740)	(1,239,769)	(2,282,509)
Improvements other than Buildings	22,188	17,935	40,123
Accumulated Depreciation Improvements	(8,210)	(8,767)	(16,977)
Machinery and Equipment	158,011	195,038	353,049
Accumulated Depreciation Machinery and Equipment	(82,962)	(116,537)	(199,499)
Vehicles	42,057	47,133	89,190
Accumulated Depreciation Vehicles	(42,057)	(40,878)	(82,935)
Water Rights	290,024		290,024
NET PROPERTY AND EQUIPMENT	1,448,636	1,288,276	2,736,912
TOTAL ASSETS	\$ 2,071,634	\$ 1,582,804	\$ 3,654,438
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued Liabilities	5,323	721	6,044
Customer Deposits	12,060		12,060
TOTAL CURRENT LIABILITIES	17,383	721	18,104
LONG-TERM LIABILITIES			
Due to Other Funds		2,459	2,459
TOTAL LONG-TERM LIABILITIES		2,459	2,459
TOTAL LIABILITIES	17,383	3,180	20,563
EQUITY			
Contributed Capital	1,107,483	1,552,815	2,660,298
Retained Earnings:			
Unreserved	946,768	26,809	973,577
Total Retained Earnings	946,768	26,809	973,577
TOTAL EQUITY	2,054,251	1,579,624	3,633,875
TOTAL LIABILITIES AND EQUITY	\$ 2,071,634	\$ 1,582,804	\$ 3,654,438

CITY OF DELTA, UTAH
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS—
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 370,567	\$ 205,009	\$ 575,576
Miscellaneous	2,755	810	3,565
TOTAL OPERATING REVENUES	373,322	205,819	579,141
<u>OPERATING EXPENSES</u>			
Salaries	110,832	72,776	183,608
Employee Benefits	36,672	33,578	70,250
Professional Services	7,896	2,695	10,591
Materials and Supplies	19,951	6,677	26,628
Repairs and Maintenance	13,195	10,519	23,714
Office Supplies	8,443	937	9,380
Utilities	37,878	6,355	44,233
Telephone	1,726	1,489	3,215
Travel and Training	1,233	35	1,268
Insurance	6,365	3,413	9,778
Depreciation	70,261	89,812	160,073
Administrative Charges	17,480	12,420	29,900
Rent	4,600		4,600
Bad Debt	1,545	614	2,159
TOTAL OPERATING EXPENSES	338,077	241,320	579,397
OPERATING INCOME (LOSS)	35,245	(35,501)	(256)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Income	28,069	6,459	34,528
Interest Expense and Service Fees	(5,945)		(5,945)
TOTAL NON-OPERATING REVENUES (EXPENSES)	22,124	6,459	28,583
NET INCOME (LOSS)	57,369	(29,042)	28,327
Transfer of depreciation on fixed assets acquired with contributed capital from contributed capital to retained earnings	24,330	40,668	64,998
INCREASE IN RETAINED EARNINGS	81,699	11,626	93,325
RETAINED EARNINGS - JULY 1	865,069	15,183	880,252
RETAINED EARNINGS - JUNE 30	\$ 946,768	\$ 26,809	\$ 973,577

CITY OF DELTA, UTAH
COMBINING STATEMENT OF CASH FLOWS—
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 35,245	(\$ 35,501)	(\$ 256)
Adjustments to Reconcile Operating Income to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	70,261	89,812	160,073
(Increase) Decrease In Accounts Receivable	5,785	642	6,427
(Increase) Decrease In Prepaid Expenses	(7,787)	(5,124)	(12,911)
(Increase) Decrease In Due From Other Funds	(5,672)	3,980	(1,692)
(Increase) Decrease In Inventories	(2,209)	(2,330)	(4,739)
Increase (Decrease) In Accrued Liabilities	5,323	722	6,045
Increase (Decrease) In Due to Other Funds	(163)	2,459	2,396
Increase (Decrease) In Customer Deposits	2,385		2,385
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>103,168</u>	<u>54,460</u>	<u>157,628</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>			
<u>FINANCING ACTIVITIES</u>			
Principal Paid on Revenue Bonds	(158,950)		(158,950)
Interest Paid on Revenue Bonds	(5,945)		(5,945)
Acquisition of Property and Equipment	(11,780)	(9,118)	(20,898)
NET CASH PROVIDED (USED)			
BY CAPITAL AND RELATED			
FINANCING ACTIVITIES	<u>(176,675)</u>	<u>(9,118)</u>	<u>(185,793)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	28,069	6,459	34,528
NET CASH PROVIDED			
BY INVESTING ACTIVITIES	<u>28,069</u>	<u>6,459</u>	<u>34,528</u>
NET INCREASE (DECREASE) IN CASH	<u>(45,438)</u>	<u>51,801</u>	<u>6,363</u>
CASH AT BEGINNING OF YEAR	<u>581,190</u>	<u>208,326</u>	<u>789,516</u>
CASH AT END OF YEAR	<u>\$ 535,752</u>	<u>\$ 260,127</u>	<u>\$ 795,879</u>
Cash and Cash Equivalents			
Unrestricted	\$ 513,450	\$ 260,127	\$ 773,577
Restricted	22,302		22,302
	<u>\$ 535,752</u>	<u>\$ 260,127</u>	<u>\$ 795,879</u>

CITY OF DELTA, UTAH
COMBINING BALANCE SHEET--TRUST FUNDS
JUNE 30, 2002

	NON- EXPENDABLE EXPENDABLE		Total
	TRUST FUND	TRUST FUNDS	
	Library Trust	Street Lighting	
ASSETS			
Cash and Cash Equivalents	\$	\$ 25,737	\$ 25,737
Restricted Assets:			
Cash and Cash Equivalents	36,955		36,955
TOTAL ASSETS	\$ 36,955	\$ 25,737	\$ 62,692
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Due to Other Funds	\$	\$	\$
TOTAL LIABILITIES			
FUND EQUITY			
Reserved for:			
Library Trust	36,955		36,955
Unreserved		25,737	25,737
TOTAL FUND EQUITY	36,955	25,737	62,692
TOTAL LIABILITIES AND FUND EQUITY	\$ 36,955	\$ 25,737	\$ 62,692

**CITY OF DELTA, UTAH
INDEPENDENT AUDITORS REPORT
IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
MANAGEMENT LETTER
JUNE 30, 2002**

**CITY OF DELTA, UTAH
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GOVERNMENT AUDITING STANDARDS REPORT



**INDEPENDENT AUDITORS' 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***

765 N. MAIN
SPANISH FORK UT 84660
(801) 798-3545
FAX (801) 798-3678

August 29, 2002

The Honorable Mayor, and
Members of the City Council
City of Delta, Utah

297 N. HWY. 6
DELTA UT 84624
(435) 864-3888
FAX (435) 864-3889

Mayor and Council Members:

We have audited the accompanying general-purpose financial statements of the City of Delta, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2002, and have issued our report thereon dated August 29, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

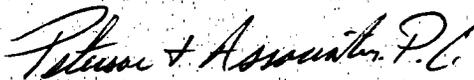
As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of the its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, and 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.



Peterson & Associates, P.C.
Certified Public Accountants

STATE COMPLIANCE REPORT



INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

August 29, 2002

The Honorable Mayor, and
Members of the City Council
City of Delta, Utah

Mayor and Council Members:

We have audited the general-purpose financial statements of the City of Delta, Utah, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 29, 2002. As part of our audit, we have audited the City of Delta's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2002. The City received the following major State assistance programs from the State of Utah:

Class "C" Road
Liquor Law Enforcement

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

Public Debt
Purchasing Requirements
Truth in Taxation & Property Tax Limitations
Other General Compliance Requirements

Cash Management
Budgetary Compliance
Justice Courts Compliance
Uniform Building Code

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

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

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

In our opinion, the City of Delta, 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, 2002.



Peterson & Associates, P.C.
Certified Public Accountants

MANAGEMENT LETTER

CURRENT YEAR FINDINGS

STATE COMPLIANCE FINDINGS

FINDING – DEPOSITS NOT MADE TIMELY

State law requires that deposits be made daily or at least within three business days. During our test-work it was noted that although improvements have been made, deposits from the Library were not always deposited within three days.

RECOMMENDATION

We recommend the Library make deposits daily.

CLIENT RESPONSE

The Library will begin making deposits within the time required by state law.

STATUS OF PRIOR YEAR FINDINGS

STATE COMPLIANCE FINDINGS

FINDING - EXPENDITURES IN EXCESS OF BUDGET

State law requires that departmental expenditures be kept within budgeted amounts. The following department exceeded budget as of June 30, 2001, by the following amount:

<u>Fund/Department</u>	<u>Amount</u>
Capital Projects Fund:	
Capital Outlay	\$ 6,493

RECOMMENDATION

We recommend the City make the necessary adjustments at year-end to ensure departmental expenditures are within budgeted amounts.

STATUS

No problems were noted during current audit.

FINDING - DEPOSITS NOT MADE TIMELY

State law requires that deposits be made daily or at least within three business days. During our test-work it was noted that deposits from the Library are occasionally deposited just once a week.

RECOMMENDATION

We recommend the Library make deposits daily.

STATUS

See current year findings.