

**CITY OF DELTA, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

**CITY OF DELTA, UTAH
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YEAR ENDED JUNE 30, 2004**

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LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT

August 25, 2004

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

Mayor and Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delta, as of and for the year ended June 30, 2004, which collectively comprise the City of Delta's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Delta's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delta, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 and the Introduction in the Notes to the Financial Statements, the City has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and other required supplementary information on pages MDA-1 through MDA-9 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2004, on our consideration of the City of Delta'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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delta's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larson & Peterson

Larson & Peterson
Certified Public Accountants

**CITY OF DELTA, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

As the management of the City of Delta, Utah, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Delta for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented herein in conjunction with the financial statements.

Due to the fact that the City is implementing the new reporting model requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34), the reader will notice significant differences in the structure and content as compared to previous year financial statement presentations. In our first year of GASB 34 implementation, only partial prior year data has been converted to the same format. Subsequent discussions will contain comparative analysis for all aspects in future years.

FINANCIAL HIGHLIGHTS

- ↓ The assets of the City of Delta exceeded its liabilities at June 30, 2004 by \$15,191,127. Of this amount, unrestricted net assets of \$1,329,275 may be used to meet the City's ongoing obligations to citizens and creditors.
- ↓ The total net assets increased by \$228,718 over the prior year. Of this amount \$282,562 was associated with governmental activities and \$(53,844) with business-type activities.
- ↓ At the close of the current fiscal year, the City of Delta's governmental funds reported combined ending fund balances of \$1,323,489. Of this amount, \$306,369 is unreserved and available for spending. The remaining \$1,017,120 has been reserved for debt service, road projects, fire department operations and other obligations.
- ↓ At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$214,423, or 13.08% of current year revenues, which is in compliance with Utah State law.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements – These financials are designed to provide our readers with a broad overview of the City of Delta's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Obviously over time, illustrated increases and/or decreases in net assets may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and a portion of their costs through user fees and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Delta can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Airport Improvements and Debt Service Funds which are considered major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City of Delta maintains one type of a proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two individual enterprise funds for our Water and Sewer systems.

As determined by generally accepted accounting principles, the Water and Sewer Enterprises meet the criteria for major fund classification.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Delta City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was earlier noted, net assets may serve over a period of time as a useful indicator of a government's financial position. At June 30, 2004, the City's assets exceeded its liabilities by \$15,191,127. The largest portion of the net assets, totaling \approx 84.72% is a reflection of its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. While the investment in capital assets

is reported net of related debt, the readers of this information should be cognizant that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets
June 30, 2004 and 2003

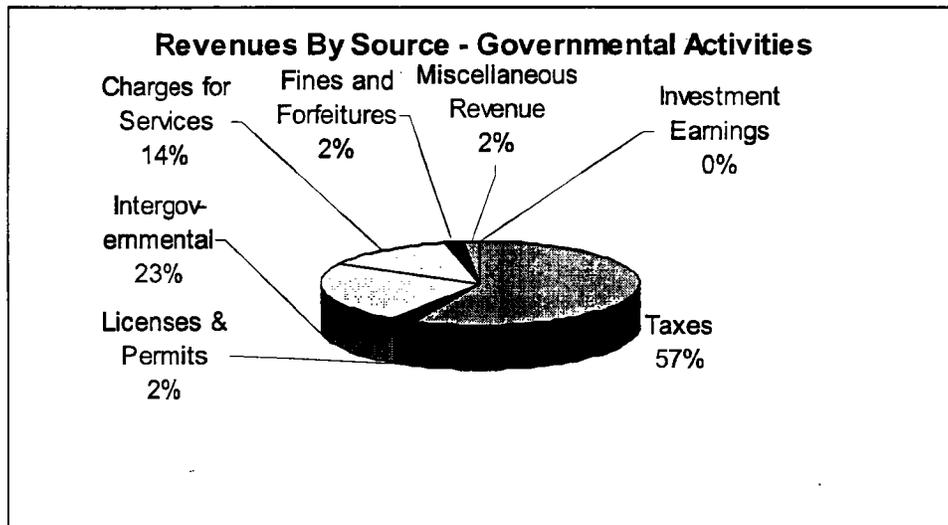
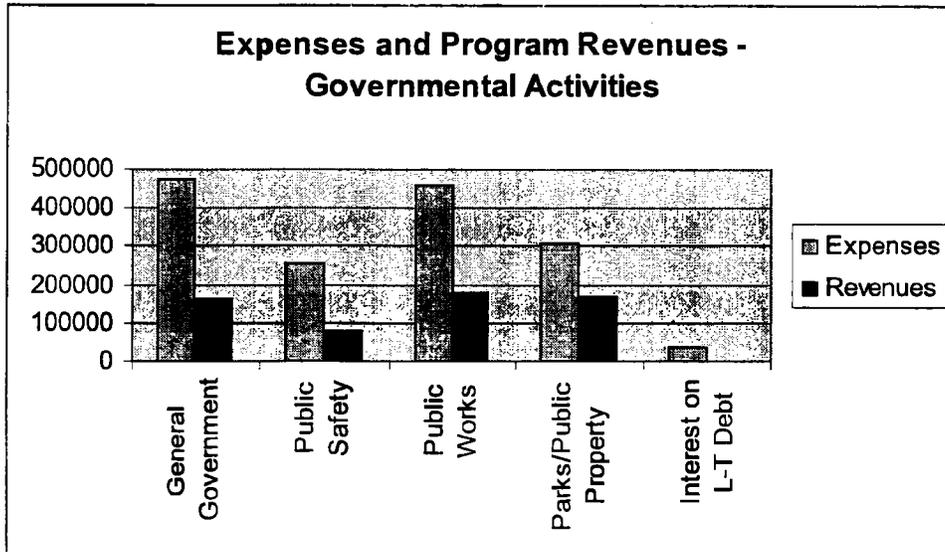
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	1,424,358	1,555,961	1,006,394	972,115	2,430,752	2,528,076
Capital assets	11,118,049	10,830,003	2,572,227	2,677,400	13,690,276	13,507,403
Total assets	12,542,407	12,385,964	3,578,621	3,649,515	16,121,028	16,035,479
Other liabilities	0	238,646	15,176	32,226	15,176	270,872
Long-term liabilities outstanding	1,424,358	802,198			1,424,358	802,198
Total liabilities	1,424,358	1,040,844	15,176	32,226	1,439,534	1,073,070
Net assets:						
Invested in capital assets, net						
of related debt	10,297,740	9,951,448	2,572,227	2,677,400	12,869,967	12,628,848
Restricted	991,885	1,081,581			991,885	1,081,581
Unrestricted	338,057	312,091	991,218	939,889	1,329,275	1,251,980
Total net assets	11,627,682	11,345,120	3,563,445	3,617,289	15,191,127	14,962,409

A portion of the net assets, totaling \$991,885, or \approx 6.53% represents resources that are subject to restrictions on their use. The balance of unrestricted net assets of \$1,329,275, or \approx 8.75% may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets
June 30, 2004 and 2003

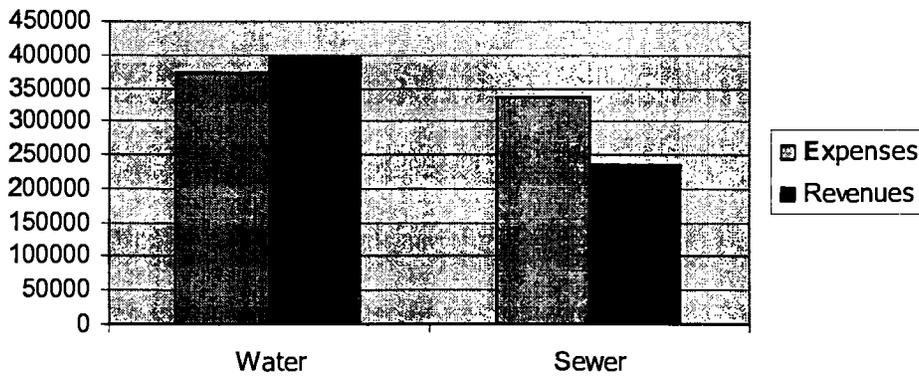
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 286,592	\$ 285,952	\$ 597,701	\$ 576,066	\$ 884,293	\$ 862,018
Operating grants and contributions	256,919	259,618			256,919	259,618
Capital grants and contributions	165,348	249,535	32,994		198,342	249,535
General revenues:						
Property taxes	371,243	300,297			371,243	300,297
Other taxes	661,733	663,758			661,733	663,758
Unrestricted investment earnings		104,975	12,660	18,656	12,660	123,631
Other	70,150	67,690	10,773		80,923	67,690
Total revenues	1,811,985	1,931,825	654,128	594,722	2,466,113	2,526,547
Expenses:						
General government	474,073	461,898			474,073	461,898
Public safety	256,436	325,228			256,436	325,228
Highways and public improvements	457,426	648,614			457,426	648,614
Parks and recreation	306,669	139,857			306,669	139,857
Interest on long-term debt	34,819	60,201			34,819	60,201
Water			371,604	368,810	371,604	368,810
Sewer			336,368	252,342	336,368	252,342
Total expenses	1,529,423	1,635,797	707,972	621,152	2,237,395	2,256,949
Increase in net assets before transfers	282,562	296,028	(53,844)	(26,430)	228,718	269,598
Transfers			0	65,003	0	65,003
Increase in net assets	282,562	296,028	(53,844)	38,573	228,718	334,601
Net assets - beginning	11,345,120	11,049,092	3,617,289	3,578,716	14,962,409	14,627,808
Net assets - ending	\$ 11,627,682	\$ 11,345,120	\$ 3,563,445	\$ 3,617,289	\$ 15,191,127	\$ 14,962,409

Governmental Activities – Governmental activities increased the City's net assets by \$282,562. When combined with the \$(53,844) decrease in net assets from business-type activities, the overall net assets increased by \$228,718, or \approx 1.53%. The graphs presented below contain regular operating revenues only and do not reflect any effect of special one-time items or transfers.

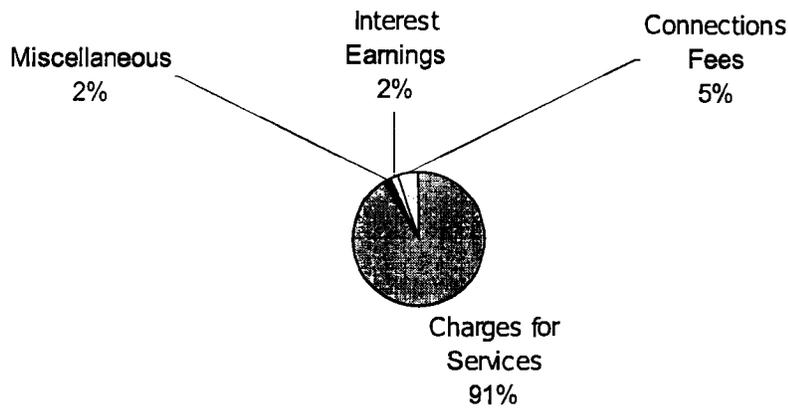


Business-Type Activities – Business-type activities decreased the City’s net assets by \$53,844. When combined with the \$282,562 that governmental activities added to net assets, the overall net assets increased by \$228,718. The graphs presented below contain regular operating revenues only and not the effects of special one-time items or transfers. Key elements contributing to the decrease in the business-type activities are as follows:

Expenses and Program Revenues - Business-Type Activities



Revenues By Source - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Government Funds – The purpose of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Information of this type is useful in assessing the City's financing requirements. Particularly, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2004 Delta City's governmental funds reported combined ending fund balances of \$1,323,489. Of this balance, \$306,369, or \approx 23.15% is unreserved fund balance, which is available for spending at the discretion/designation of the government; this being \$65,288 for capital projects, \$26,658 for special revenue funds and \$214,423 to carry the general operations of the City as new fiscal year revenue streams are awaited.

The City's main operational fund is the General Fund. All financial activities of the municipality which are not required to be accounted for in separate funds either by State or local ordinance or by a desire to maintain a matching of revenues and expenditures are accounted for in this fund.

Revenues derived from taxes remain by far the largest revenue source within the General Fund; representing approximately 62.43% of all revenues within this fund. The largest component of the tax base comes from general sales and use taxes, followed by property tax assessments. The total fund balance at June 30, 2004 for the main fund was \$380,148. The Municipal Airport Improvement fund, also deemed a major fund, had a fiscal year-ending deficit fund balance of \$(6,677), this due to a prepayment of a fiscal year 2005 engineering liability. The other major fund within the governmental activities group was the Debt Service fund, with a fiscal year-ending fund balance of \$790,334 restricted for use toward debt retirement.

Proprietary Funds – The City's proprietary funds provide the same type of information that is found in the government-wide financial statements except in greater detail. The unrestricted net assets of the Water Fund totaled \$671,782; while the total net assets amounted to \$2,114,154, which included a \$42,409 increase in net assets during the fiscal year. The unrestricted net assets of the Sewer Fund totaled \$319,436; while the total net assets amounted to \$1,449,291, which incorporated a \$96,253 decrease in net assets during the fiscal year. A significant outlay of capital was made for sewer system repairs and maintenance during this fiscal year that comprised the majority of the operating loss that led to a decrease in net fund assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The initially adopted General Fund budget for fiscal year 2004 was in the amount of \$1,840,567. The budget was subsequently amended to \$1,919,566. This increase in the General Fund budget amounted to \$78,999. There were numerous adjustments made throughout all General Fund departments, with both anticipated revenue and proposed appropriations to other governmental funds planned for, and expenditures as previously allocated for adjusted as well given the amendment was made near fiscal year-end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities at June 30, 2004 amounted to \$13,681,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles and infrastructure (roads, sidewalks, curb and gutter, service lines, etc.).

**City of Delta’s Capital Assets
(Net of Depreciation)**

	Governmental Activities	Business-Type Activities	Total for 2004
Water Stock	\$ -	\$ 302,024	\$ 302,024
Land	321,024	23,534	344,558
Buildings	995,551	2,082,280	3,077,831
Improvements other Than Buildings	287,904	18,417	306,321
Equipment	131,549	145,972	277,521
Infrastructure	9,382,021		9,382,021
Total Assets	<u>11,118,049</u>	<u>2,572,227</u>	<u>13,690,276</u>

Long-Term Debt – At the end of the current fiscal year, the City has \$793,206 in outstanding bonded debt consisting of an excise tax revenue bond and a general obligation bond. All of the bonded debt is secured by contractual investments or dedicated revenue streams.

City of Delta’s Outstanding Debt

	Governmental Activities	Business-Type Activities	Totals
Excise Tax Revenue Bonds	\$ 675,752	\$	\$ 675,752
General Obligation Bonds	<u>117,454</u>	<u> </u>	<u>117,454</u>
Total	<u>\$ 793,206</u>	<u>\$ -0-</u>	<u>\$ 793,206</u>

Delta City’s bonded debt decreased by \$56,348 during the current fiscal year. There were no new issues of indebtedness nor do we have any capital lease obligations.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The Mayor, Council Members, City Recorder/Finance Director, Public Works Director and other department heads meet annually in a budget work session in order to critically analyze all appropriation requests. After a determination is made of necessary appropriations, they are matched against known and/or anticipated revenue streams and items removed or adjusted accordingly in order to balance the budgets in the governmental fund types.

Economic conditions in Millard County and within the State of Utah are taken into consideration when weighing compensation issues and employee benefits – with a focus being on the fair and equitable treatment of our valued workforce along with insuring that the City’s financial well-being remains intact and that all City services are being provided as needed. A 1% cost-of-living adjustment was allowed for Delta City’s employees for fiscal year 2005, in addition to the City maintaining employee health insurance. The General Fund budget for fiscal year 2005 is \$1,981,615; \$62,049 more than the final budget for fiscal year 2004. Some planned capital improvements budgeted for within the ensuing year’s budget include: a

used street sweeper, improvements to the main airport hangar, streets shop buildings, a new parks lawnmower and technology improvements in our library if grants come through as anticipated.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Delta City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City Recorder/Finance Director, Delta City Corporation, 76 North 200 West, Delta, Utah 84624-9440.

BASIC FINANCIAL STATEMENTS

City of Delta, Utah
Statement of Net Assets
June 30, 2004

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 273,047	\$ 882,636	\$ 1,155,683
Prepaid expenses	21,786		21,786
Utility billings receivable	12,877	71,414	84,291
Other receivable	166,223		166,223
Investments	732,600		732,600
Interest receivable	24,305		24,305
Inventory	25,235	38,045	63,280
Restricted cash and cash equivalents	168,285		168,285
Internal balances		14,299	14,299
Capital assets (net of accumulated depreciation):			
Water stock		302,024	302,024
Land	321,024	23,534	344,558
Buildings	995,551	2,082,280	3,077,831
Improvements other than buildings	287,904	18,417	306,321
Equipment	131,549	145,972	277,521
Infrastructure	9,382,021		9,382,021
Total assets	<u>12,542,407</u>	<u>3,578,621</u>	<u>16,121,028</u>
LIABILITIES			
Accrued liabilities	75,908	8,747	84,655
Deferred revenue		5,271	5,271
Internal balances	13,141	1,158	14,299
Bond interest payable	27,103		27,103
Revenue bonds payable - Due within one year	54,825		54,825
Revenue bonds payable - Due in more than one year	738,381		738,381
Compensated absences	5,367		5,367
Total liabilities	<u>914,725</u>	<u>15,176</u>	<u>929,901</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,297,740	2,572,227	12,869,967
Restricted for:			
Library trust	35,826		35,826
Road improvements	152,386		152,386
Debt service	790,334		790,334
Fire department	13,339		13,339
Unrestricted	338,057	991,218	1,329,275
Total net assets	<u>\$ 11,627,682</u>	<u>\$ 3,563,445</u>	<u>\$15,191,127</u>

City of Delta, Utah
Statement of Activities
For the Year Ended June 30, 2004

Function/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 474,073	\$ 159,674	\$ -	\$ -	\$ (314,399)	\$	\$ (314,399)
Public safety	256,436	55,674	77,344		(123,518)		(123,518)
Public works	457,426	13,453	176,916		(268,057)		(268,057)
Parks, recreation and public property	306,669	57,891	3,659	165,348	(79,771)		(79,771)
Interest on long-term debt	34,819				(34,819)		(34,819)
Total governmental activities	<u>1,529,423</u>	<u>286,692</u>	<u>256,919</u>	<u>165,348</u>	<u>(820,664)</u>		<u>(820,664)</u>
Business-type activities:							
Water	371,604	380,535		16,042		23,973	23,973
Sewer	336,365	217,166		17,952		(101,250)	(101,250)
Total business-type activities	<u>707,972</u>	<u>597,701</u>		<u>32,994</u>		<u>(77,277)</u>	<u>(77,277)</u>
Total primary government	\$ 2,237,395	\$ 834,293	\$ 256,919	\$ 193,342	(820,664)		(897,641)
General revenues:							
Property taxes					371,243		371,243
Sales taxes					661,733		661,733
Unrestricted investment earnings						12,660	12,660
Miscellaneous					70,150	10,773	80,923
Total general revenues and transfers					<u>1,103,126</u>	<u>23,433</u>	<u>1,126,559</u>
Change in net assets					282,562	(53,844)	228,718
Net assets - beginning					<u>11,346,120</u>	<u>3,617,239</u>	<u>14,962,409</u>
Net assets - ending					<u>\$ 11,627,682</u>	<u>\$ 3,563,445</u>	<u>\$ 15,191,127</u>

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

City of Delta, Utah
Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	Municipal Airport Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 144,784	\$ -	\$ 33,429	\$ 94,834	\$ 273,047
Prepaid expenses	2,361	19,425			21,786
Receivables (net):					
Utility billings	12,877				12,877
Other	166,223				166,223
Due from other funds	39,820	10,000		40,000	89,820
Investments			732,600		732,600
Interest receivable			24,305		24,305
Inventory				25,235	25,235
Restricted cash and cash equivalents	165,725	2,560			168,285
Total assets	\$ 531,790	\$ 31,985	\$ 790,334	\$ 160,069	\$1,514,178
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 64,299	\$ 38,662	\$ -	\$ -	\$ 102,961
Accrued liabilities	75,523			385	75,908
Deferred revenue - Customer deposits	11,820				11,820
Total liabilities	151,642	38,662		385	190,689
Fund balances:					
Reserved for:					
Library trust				35,826	35,826
Inventories				25,235	25,235
Road improvements	152,386				152,386
Fire department	13,339				13,339
Debt service fund			790,334		790,334
Unreserved, reported in:					
General fund	214,423				214,423
Special revenue funds				26,658	26,658
Capital projects fund		(6,677)		71,965	65,288
Total fund balances	380,148	(6,677)	790,334	159,684	1,323,489
Total liabilities and fund balances	\$ 531,790	\$ 31,985	\$ 790,334	\$ 160,069	\$1,514,178

City of Delta, Utah
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004

Total fund balances - governmental fund types:	\$ 1,323,489
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,118,049
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(825,676)
Liability for earned, but deferred revenue.	<u>11,820</u>
Net assets of governmental activities	<u>\$ 11,627,682</u>

City of Delta, Utah
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	Municipal Airport Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,023,272	\$ -	\$ 9,704	\$ -	\$ 1,032,976
Licenses and permits	37,863				37,863
Intergovernmental	256,540	165,348			421,888
Charges for services	253,411				253,411
Fines and forfeitures	36,404				36,404
Miscellaneous revenue	28,254			210	28,464
Investment income (loss)	3,475	98	(7,140)	2,353	(1,214)
Total revenues	<u>1,639,219</u>	<u>165,446</u>	<u>2,564</u>	<u>2,563</u>	<u>1,809,792</u>
EXPENDITURES					
Current:					
General government	478,193				478,193
Public safety	254,722				254,722
Highways and public improvements	497,669				497,669
Parks, recreation, and public property	267,745			2,631	270,376
Capital outlay		189,130		96,185	285,315
Debt service:					
Principal retirement			52,723		52,723
Interest and fiscal charges			36,717		36,717
Total expenditures	<u>1,498,329</u>	<u>189,130</u>	<u>89,440</u>	<u>98,816</u>	<u>1,875,715</u>
Excess revenues over (under) expenditures	<u>140,890</u>	<u>(23,684)</u>	<u>(86,876)</u>	<u>(96,253)</u>	<u>(65,923)</u>
Other financing sources (uses)					
Transfers in		10,000	12,989	40,000	62,989
Transfers out	(62,989)				(62,989)
Total other financing sources and uses	<u>(62,989)</u>	<u>10,000</u>	<u>12,989</u>	<u>40,000</u>	<u>0</u>
Excess of revenues and other sources over (under) expenditures and other uses	77,901	(13,684)	(73,887)	(56,253)	(65,923)
Fund balances - beginning of year	302,247	7,007	864,221	215,937	1,389,412
Fund balances - end of year	<u>\$ 380,148</u>	<u>\$ (6,677)</u>	<u>\$ 790,334</u>	<u>\$ 159,684</u>	<u>\$ 1,323,489</u>

City of Delta, Utah
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ (65,923)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 288,046

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. 2,193

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets:
 Payment of Bond Principal 56,348

Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources and interest on long term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:
 Accrued Interest on Bonds Payable 1,898

Change in net assets of governmental activities \$ 282,562

City of Delta, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Ad valorem property taxes	\$ 232,000	\$ 234,468	\$ 280,487	\$ 46,019
Fee-in-lieu of taxes	70,000	65,294	65,294	0
Prior years' delinquent Property taxes	11,000	15,758	15,758	0
General sales and use taxes	510,000	520,000	525,057	5,057
Municipal energy fees	133,000	132,500	136,676	4,176
Total Taxes	956,000	968,020	1,023,272	55,252
Licenses and Permits:				
Business licenses	21,000	21,500	22,799	1,299
Building permits	20,000	15,000	13,757	(1,243)
Animal licenses and fees	1,800	1,205	1,307	102
Total Licenses and Permits	42,800	37,705	37,863	158
Intergovernmental Revenue:				
Class "C" road funds	155,500	175,916	175,916	0
State liquor funds	1,000	4,018	4,018	0
Fire department O&M - MCFSD	58,500	58,500	58,500	0
State library grant	3,280	3,280	3,280	0
LSCA technology grant	17,500	15,000	14,826	(174)
Total Intergovernmental Revenue	235,780	256,714	256,540	(174)
Charges for Services:				
Wildland fire protection reimbursement	1,000	1,825	1,825	0
Crosswalk guards Reimbursement	7,125	7,125	7,313	188
Subdivision improvement fees	4,000	10		(10)
Municipal lease & rental fees	10,000	11,500	13,571	2,071
Airport fuel taxes	750	700	379	(321)
Irrigation/ditch tax & rental	3,500	4,200	6,853	2,653
Zoning and subdivision fees	500	1,305	1,640	335
Milliard County landfill use fees	135,000	136,000	136,682	682
Audit reimbursement - sewer	4,000	4,000	4,000	0
Audit reimbursement - water	5,000	5,000	5,000	0
Water enterprise office rent	4,600	4,600	4,600	0
Admin reimbursement - sewer	15,000	15,000	15,000	0
Admin reimbursement - water	20,000	20,000	20,000	0
Airport aviation fuel sales	36,000	32,000	36,548	4,548
Total Charges for Services	246,475	243,265	253,411	10,146
Fines and Forfeitures:				
Court fines	30,000	25,000	27,347	2,347
Small claims fees	1,100	1,310	1,285	(25)
Library fines and fees	8,000	7,200	7,772	572
Total Fines and Forfeitures	39,100	33,510	36,404	2,894
Miscellaneous:				
Health Ins Reimbursement - Firemen	8,020	8,026	8,026	0
Health Ins Reimbursement - Non Firemen	10,494	10,506	10,506	0
Interest	3,685	3,725	3,475	(250)
Utilities - state bookmobile	600	600	600	0
Delta area youth council	1,000	3,011	3,011	0
West Milliard youth court	1,000	1,200	1,100	(100)
Miscellaneous	5,250	5,100	5,011	(89)
Total Miscellaneous	30,049	32,168	31,729	(439)
Total Revenues	\$ 1,550,204	\$ 1,571,382	\$ 1,639,219	\$ 67,837

City of Delta, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Expenditures:				
General Government:				
Mayor and council	\$ 76,206	\$ 58,811	\$ 42,045	\$ (16,766)
Judicial	46,174	46,922	38,053	(8,869)
Treasurer	50,234	50,466	48,042	(2,424)
Recorder/Finance Director	178,566	179,914	173,504	(6,410)
Attorney	92,885	89,149	78,839	(10,310)
City Hall	121,060	113,885	97,710	(16,175)
Total General Government	<u>565,125</u>	<u>539,147</u>	<u>478,193</u>	<u>(60,954)</u>
Public Safety:				
Law enforcement	160,496	172,558	163,716	(8,842)
Animal control	23,676	22,033	18,732	(3,301)
Building inspection	10,300	10,300	5,139	(5,161)
Fire department	69,720	76,199	67,135	(9,064)
Total Public Safety	<u>264,192</u>	<u>281,090</u>	<u>254,722</u>	<u>(26,368)</u>
Highways and Public Improvements:				
Streets	492,074	504,781	355,218	(149,563)
County landfill	132,000	134,000	132,781	(1,219)
Irrigation system	13,889	13,936	9,670	(4,266)
Total highways and public improvements	<u>637,963</u>	<u>652,717</u>	<u>497,669</u>	<u>(155,048)</u>
Parks, Recreation and Public Property				
Parks	57,645	80,848	75,567	(5,281)
Library	133,844	134,007	124,986	(9,021)
Celebrations	22,827	29,666	25,257	(4,409)
Municipal airport	56,035	54,102	41,935	(12,167)
Total parks, recreation and public property	<u>270,351</u>	<u>298,623</u>	<u>267,745</u>	<u>(30,878)</u>
Total expenditures - general fund	<u>1,737,631</u>	<u>1,771,577</u>	<u>1,498,329</u>	<u>(273,248)</u>
Excess Revenues Over (Under) Expenditures	<u>(187,427)</u>	<u>(200,195)</u>	<u>140,890</u>	<u>341,085</u>
Other Financing Sources (Uses):				
Transfers (Out)	(102,936)	(147,989)	(62,989)	85,000
Total other financing sources (uses)	<u>(102,936)</u>	<u>(147,989)</u>	<u>(62,989)</u>	<u>85,000</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(290,363)</u>	<u>(348,184)</u>	<u>77,901</u>	<u>426,085</u>
Fund Balance - Beginning of Year	<u>302,246</u>	<u>302,246</u>	<u>302,246</u>	
Fund Balance - End of Year	<u>\$ 11,883</u>	<u>\$ (45,938)</u>	<u>\$ 380,147</u>	<u>\$ 426,085</u>

City of Delta, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Municipal Airport Improvement Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Intergovernmental Revenue:				
Federal aviation grant	\$ 184,350	\$ 242,102	\$ 165,348	\$ (76,754)
Total Intergovernmental Revenue	<u>184,350</u>	<u>242,102</u>	<u>165,348</u>	<u>(76,754)</u>
Miscellaneous:				
Interest			98	98
Total Miscellaneous	<u>0</u>	<u>0</u>	<u>98</u>	<u>98</u>
Total Revenues	<u><u>184,350</u></u>	<u><u>242,102</u></u>	<u><u>165,446</u></u>	<u><u>(76,656)</u></u>
Expenditures:				
Parks and Recreation				
Municipal airport	184,350	242,102	189,130	(52,972)
Total parks & recreation	<u>184,350</u>	<u>242,102</u>	<u>189,130</u>	<u>(52,972)</u>
Total expenditures - general fund	<u>184,350</u>	<u>242,102</u>	<u>189,130</u>	<u>(52,972)</u>
Excess Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>(23,684)</u>	<u>(23,684)</u>
Other Financing Sources (Uses):				
Transfers In			10,000	10,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	0	(13,684)	(13,684)
Fund Balance - Beginning of Year	<u>7,007</u>	<u>7,007</u>	<u>7,007</u>	
Fund Balance - End of Year	<u><u>\$ 7,007</u></u>	<u><u>\$ 7,007</u></u>	<u><u>\$ (6,677)</u></u>	<u><u>\$ (13,684)</u></u>

City of Delta, Utah
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
Revenues:				
Taxes:				
Ad Valorem Property Taxes	\$ 9,810	\$ 9,704	\$ 9,704	\$ -
Total Taxes	<u>9,810</u>	<u>9,704</u>	<u>9,704</u>	<u>0</u>
Miscellaneous:				
Investment Income (Loss)	79,736	79,736	(7,140)	(86,876)
Total Miscellaneous	<u>79,736</u>	<u>79,736</u>	<u>(7,140)</u>	<u>(86,876)</u>
Total Revenues	<u>89,546</u>	<u>89,440</u>	<u>2,564</u>	<u>(86,876)</u>
Expenditures:				
Debt Service				
Principal	52,723	52,723	52,723	0
Interest	36,823	36,717	36,717	0
Total parks & recreation	<u>89,546</u>	<u>89,440</u>	<u>89,440</u>	<u>0</u>
Total expenditures - general fund	<u>89,546</u>	<u>89,440</u>	<u>89,440</u>	<u>0</u>
Excess Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>(86,876)</u>	<u>(86,876)</u>
Other Financing Sources (Uses):				
Transfers In			12,989	12,989
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>12,989</u>	<u>12,989</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>0</u>	<u>0</u>	<u>(73,887)</u>	<u>(73,887)</u>
Fund Balance - Beginning of Year	<u>864,221</u>	<u>864,221</u>	<u>864,221</u>	
Fund Balance - End of Year	<u>\$ 864,221</u>	<u>\$ 864,221</u>	<u>\$ 790,334</u>	<u>\$ (73,887)</u>

City of Delta, Utah
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 591,238	\$ 291,398	\$ 882,636
Receivables (net)			
Utilities	50,882	20,532	71,414
Due from other funds	14,299		14,299
Inventory	28,478	9,567	38,045
Total current assets	<u>684,897</u>	<u>321,497</u>	<u>1,006,394</u>
Noncurrent assets:			
Water stock	302,024		302,024
Land	11,767	11,767	23,534
Equipment, buildings and improvements	2,436,336	2,694,919	5,131,255
Less: Accumulated depreciation	<u>(1,307,755)</u>	<u>(1,576,831)</u>	<u>(2,884,586)</u>
Total noncurrent assets	<u>1,442,372</u>	<u>1,129,855</u>	<u>2,572,227</u>
Total assets	<u>2,127,269</u>	<u>1,451,352</u>	<u>3,578,621</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	7,844	903	8,747
Due to other funds		1,158	1,158
Deferred revenue - Customer deposits	5,271		5,271
Total current liabilities	<u>13,115</u>	<u>2,061</u>	<u>15,176</u>
Noncurrent liabilities:			
			0
Total noncurrent liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>13,115</u>	<u>2,061</u>	<u>15,176</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,442,372	1,129,855	2,572,227
Unrestricted	671,782	319,436	991,218
Total net assets	<u>\$ 2,114,154</u>	<u>\$ 1,449,291</u>	<u>\$ 3,563,445</u>

City of Delta, Utah
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for sales and services	\$ 380,535	\$ 217,166	\$ 597,701
Miscellaneous	9,923	850	10,773
Total operating revenues	<u>390,458</u>	<u>218,016</u>	<u>608,474</u>
Operating expenses:			
Employee salaries	100,216	77,047	177,263
Employee benefits	43,848	42,179	86,027
Professional Services	8,535	12,140	20,675
Office Supplies	12,148	1,761	13,909
Materials and Supplies	40,644	9,624	50,268
Utilities	43,314	8,144	51,458
Telephone	1,496	1,326	2,822
Repairs and maintenance	11,674	75,358	87,032
Depreciation	73,761	83,578	157,339
Bad debts	288	116	404
Travel and Training	1,823	2,261	4,084
Insurance	9,257	7,834	17,091
Administrative Charges	20,000	15,000	35,000
Rental	4,600		4,600
Total operating expenses	<u>371,604</u>	<u>336,368</u>	<u>707,972</u>
Operating income	<u>18,854</u>	<u>(118,352)</u>	<u>(99,498)</u>
Nonoperating revenues (expenses):			
Interest revenue	8,513	4,147	12,660
Connection Fees	15,042	17,952	32,994
Total nonoperating revenues (expenses)	<u>23,555</u>	<u>22,099</u>	<u>45,654</u>
Income (loss)	<u>42,409</u>	<u>(96,253)</u>	<u>(53,844)</u>
			0
Change in net assets	42,409	(96,253)	(53,844)
Total net assets - beginning	2,071,745	1,545,544	3,617,289
Total net assets - ending	<u>\$ 2,114,154</u>	<u>\$ 1,449,291</u>	<u>\$ 3,563,445</u>

City of Delta, Utah
Statement of Cash Flows
Proprietary Funds and Internal Service Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 376,082	\$ 215,595	\$ 591,677
Miscellaneous receipts	9,923	850	10,773
Payments to suppliers	(169,406)	(127,370)	(296,776)
Payments to employees	(144,065)	(119,227)	(263,292)
Net cash provided (used) by operating activities	<u>72,534</u>	<u>(30,152)</u>	<u>42,382</u>
Cash Flows From Noncapital Financing Activities			0
Net cash provided (used) by noncapital financing activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(52,160)		(52,160)
Connection fees collected	15,042	17,952	32,994
Net cash provided (used) by capital and related financing activities	<u>(37,118)</u>	<u>17,952</u>	<u>(19,166)</u>
Cash Flows From Investing Activities			
Interest and dividends received	8,513	4,147	12,660
Net cash provided (used) by investing activities	<u>8,513</u>	<u>4,147</u>	<u>12,660</u>
Net increase (decrease) in cash and cash equivalents	43,929	(8,053)	35,876
Cash and cash equivalents, July 1	547,309	299,451	846,760
Cash and cash equivalents, June 30	<u>591,238</u>	<u>291,398</u>	<u>882,636</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	18,854	(118,352)	(99,498)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	73,761	83,578	157,339
(Increase) decrease in accounts receivable	(4,453)	(1,571)	(6,024)
(Increase) decrease in due from other funds	(9,919)	11,212	1,293
(Increase) decrease in inventories	5,684	640	6,324
Increase (decrease) in accrued liabilities	(14,543)	(6,816)	(21,359)
Increase (decrease) in due to other funds		1,157	1,157
Increase (decrease) in customer deposits	3,150		3,150
Total adjustments	<u>53,680</u>	<u>88,200</u>	<u>141,880</u>
Net cash provided (used) by operating activities	<u>\$ 72,534</u>	<u>\$ (30,152)</u>	<u>\$ 42,382</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the City has implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

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

The City's financial reporting entity comprises the following:

Primary Government:	City of Delta
Component Units:	None

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Permanent Fund

The Permanent Fund accounts for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water, Sewer and Electric funds.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

<i>Fund</i>	<i>Brief Description</i>
Major:	
General Fund	See above for description.
Debt Service	
General Obligation Bond	Accounts for the payment of principal and interest on the City's long-term debt.
Capital Projects Fund	
Municipal Airport Improvements	Accounts for revenues and expenditures on capital projects such as an airport.
Proprietary Fund	
Water and Sewer	Accounts for revenues and expenditures of the water and sewer utilities.
Nonmajor:	
Capital Projects Fund	
Equipment Acquisition, Streets & Drainage, and Complex Renovation	Accounts for revenues and expenditures on capital projects.
Special Revenue Fund	
Street Lighting	Accounts for revenues and expenditures for funds such as redevelopment agencies.
Permanent Fund	
Library Trust	This fund includes resources that are legally restricted so that only earnings and not principal may be used for operations.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. The City of Delta does not currently have any funds classified as agency funds.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

(including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

I.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.G. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, utility billings, and inter-fund transactions. Business-type activities report utilities as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

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.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2004.

Prior to July 1, 2003, not all governmental funds' infrastructure assets were not capitalized. The City's streets and right of way assets are now capitalized and included as part of the governmental funds' infrastructure assets. The City has capitalized road improvements and road rehabilitation as the value of its roads. Historical values for the City's other infrastructure have been determined by calculating length, miles, or acres and then using an average cost factor to determine the historical value to be capitalized as the value for the infrastructure.

The condition of road pavement is measured using the AASHTO pavement management system, which is based on stress factors found in pavement surfaces. The AASHTO pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in good condition (70-100), fair (50-69), and substandard condition (less than 50). It is the City's policy to maintain at least 60 percent of its road system at a good or better condition level. No more than 15 percent should be in substandard condition. Condition assessments are determined every year.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	45 years	45 years
Machinery and Equipment	10 to 15 years	10-15 years
Vehicles	6 years	6 years
Infrastructure	65 years	65 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets consist of various cash balances that are restricted as to their use. Certain cash balances are restricted by provisions in the bond resolutions. These include the bond, and emergency repairs accounts in the enterprise funds. Customer deposits are also restricted in the enterprise funds. Amounts are held in the fund for future burial and cemetery costs. Class C Road revenue not spent is restricted in the general fund to be used for future roadwork and funds are held for the fire department to be used for future expenditures.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued liabilities, and a deferred revenue.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

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

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general fund. No expenditure is reported for these amounts.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.H. for additional disclosures.

I.E. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

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.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:

- Current (further classified by function)
- Debt Service
- Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<u>Fund</u>	<u>Required By</u>
Library Trust Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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 deposit 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 Utah Money Management Act and adhering to the rules of the Utah Money Management Council.

The Utah 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.

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, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other 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. The City currently has no investments that are required to be categorized.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax Revenue	See Note 1.E.
Water and Sewer Revenue	Debt Service and Utility Operations
Library Trust	Perpetual Trust
B & C Road Revenues	Eligible B & C Roads
State Liquor Revenues	State Law
Grant Revenues	Grant Requirements

For the year ended June 30, 2004, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2004, the City had \$793,206 of outstanding general obligation debt.

Other Long-term Debt

Cities may incur a larger indebtedness for the purpose of supplying such city water, sewer, or electricity when such public works are owned and controlled by the municipality. The additional indebtedness shall not exceed four percent for first and second class cities and eight percent for third class cities. For the year ended June 30, 2004, the City had no such indebtedness.

Notes Payable

The various loan agreements relating to the notes payable issuances contain some restrictions or covenants that are financial related. These include covenants such as debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2004.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Requirement

Level of Compliance

Road Improvement Bond

a. Pledging of Class C Road Funds:

1. The City shall pledge 100% of the Class C road funds and interest and earnings from the capitalized reserve fund to pay principal and interest as it falls due.

b. Reserve Fund:

1. The City shall establish a reserve fund to be held by a bank that is FDIC insured.
2. Funds from the Reserve Fund shall be transferred to the Bond Fund to meet the next bond payment.
3. There shall be an amount nearly as possible to the amount of \$500,000 in the Reserve Fund.

Library Bond

a. Special Tax Levy

1. The City shall levy a special tax sufficient to pay principal and interest as it falls due.
2. The City shall not issue tax exempt obligations in excess of \$10,000,000

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund. (10-6-116(2)) The City had the following deficit equity balances in some of their funds at June 30, 2004:

Municipal Airport Improvements Fund	(\$6,677)
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2.F. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund, the municipal airport fund and the debt service fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

As of June 30, 2003 and 2004, bank balances totaled \$663,010 and \$665,047 respectively. The carrying amount on the City's books was \$583,392 and \$584,581 respectively. These deposits were covered by Federal Depository Insurance up to \$133,593 as of June 30, 2003 and up to \$133,429 as of June 30, 2004.

Investments

The City has investments with the Utah Public Treasurers' Fund (PTIF) which are not subject to categorization. The carrying amount and market value of the investments at June 30, 2003 and 2004, were \$808,076 and \$738,959 respectively.

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement.

The City currently has no investments that are required to be categorized. Investments not subject to categorization at June 30, 2004, were as follows:

Investments in Utah State Treasurers' Investment Fund	\$ 738,959
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CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Reconciliation to Government-wide Statement of Net Assets:

Investments	\$	738,959
Cash on Hand		425
Deposits		1,317,184
Total	\$	<u>2,056,568</u>

Per Statement of Net Assets:

Unrestricted Cash and Investments	\$	1,888,283
Restricted Cash and Investments		168,285
Total	\$	<u>2,056,568</u>

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2004, are as follows:

<u>Type of Restricted Asset</u>	<u>Cash/Time Deposits</u>	<u>Investments</u>	<u>Accrued Int.</u>	<u>Total</u>
<i>Business-Type Activities:</i>				
	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Governmental Activities:</i>				
Subdivision Improvement Fees	12,748			12,748
Road Encroachment Fees	9,889			9,889
Class C Roads	129,749			129,749
Fire Department O&M	13,339			13,339
Runway Rehabilitation	2,560			2,560
Total	<u>168,285</u>	<u>-</u>	<u>-</u>	<u>2,560</u>
Grand Totals	<u>\$ 168,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,560</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable from the water and sewer utilities. Accounts receivable of the governmental activities consist of landfill billings (7%), taxes (89%) and a library tech grant (4%) receivables. Receivables detail at June 30, 2004, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Utility Billings:			
Landfill	\$ 12,877	\$ -	\$ 12,877
Water		50,882	50,882
Sewer		20,532	20,532
Other:			
Taxes	158,759		158,759
Library Tech Grant	7,464		7,464
Allowance for Doubtful Accounts			-
Net Accounts Receivable	<u>\$ 179,100</u>	<u>\$ 71,414</u>	<u>\$ 250,514</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance at July 1, 2003	Additions	Disposals	Balance at June 30, 2004
Governmental Activities:				
Land	\$ 154,738	\$ 177,810	\$ (11,524)	\$ 321,024
Buildings	1,375,792	104,282	52,668	1,532,742
Other Improvements	490,264	261,940	(396,950)	355,254
Office Furniture & Equip	145,492	27,114	(108,097)	64,509
Machinery & Equipment	418,298		(50,042)	368,256
Vehicles	492,443		(3,500)	488,943
Infrastructure	-	9,382,021		9,382,021
Totals at historical cost	<u>3,077,027</u>	<u>9,953,167</u>	<u>(517,445)</u>	<u>12,512,749</u>
Less Accum. Depreciation				
Buildings	(499,169)	(38,022)		(537,191)
Other Improvements	(50,662)	(16,688)		(67,350)
Office Furniture & Equip	(32,860)	(8,241)		(41,101)
Machinery & Equipment	(300,701)	(19,909)		(320,610)
Vehicles	(406,018)	(22,430)		(428,448)
Total Accum. Depreciaton	<u>(1,289,410)</u>	<u>(105,290)</u>	<u>-</u>	<u>(1,394,700)</u>
Governmental Activities capital assets, net	1,787,617	9,847,877	(517,445)	11,118,049
Business-type activities:				
Land	23,534			23,534
Buildings & System	45,862			45,862
Other Improvements	41,623			41,623
Machinery & Equipment	372,348	50,000		422,348
Vehicles	89,190			89,190
Utility Plant	1,851,250			1,851,250
Contributed Capital Assets	2,680,982			2,680,982
Water Rights	302,024			302,024
Totals at historical cost	<u>5,406,813</u>	<u>50,000</u>	<u>-</u>	<u>5,456,813</u>
Less Accum. Depreciation				
Buildings & System	(29,636)	(2,139)		(31,775)
Other Improvements	(20,113)	(3,092)		(23,205)
Machinery & Equipment	(237,809)	(40,853)		(278,662)
Vehicles	(85,988)	(914)		(86,902)
Utility Plant	(1,008,426)	(45,342)		(1,053,768)
Contributed Capital Assets	(1,345,275)	(64,999)		(1,410,274)
Total Accum. Depreciaton	<u>(2,727,247)</u>	<u>(157,339)</u>	<u>-</u>	<u>(2,884,586)</u>
Business-type activities capital assets, net	<u>\$ 2,679,566</u>	<u>\$ (107,339)</u>	<u>\$ -</u>	<u>\$ 2,572,227</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Depreciation expense was charged to governmental activities as follows:

General government:	
General government	\$ 26,619
Public Safety	1,714
Public Works	40,664
Parks & Public Property	<u>36,293</u>
Total depreciation expense	<u><u>\$105,290</u></u>

3.E. ACCOUNTS PAYABLE

Payables in the general fund and non-major governmental funds are composed of various vendor payables and bond interest payable. Payables in the business-type funds are composed of various vendor payables.

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities:

As of June 30, 2004, the City had the following governmental long-term debt:

General Obligation & Revenue Bonds:

Road Improvement Bond, Dated 1984 4.5%, (original amount \$1,300,000)	\$ 675,752
General Obligation Natural Gas Refunding Bonds, Dated 1999 3%, (Original amount \$143,990)	117,454
Total General Long-Term Debt	<u><u>\$ 793,206</u></u>

Business-type Activities:

As of June 30, 2004, the City had no long-term debt payable in its proprietary funds.

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

Type of Debt	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Due Within One Year	\$ -	\$ -	\$ -	-
Government-type Activities:				-
Notes Payable	845,931		(52,725)	793,206
Total Government Fund Debt	<u>\$ 845,931</u>	<u>\$ -</u>	<u>\$ (52,725)</u>	<u>\$ 793,206</u>

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

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2004, are as follows:

Year Ending June 30	Government-type Activities Notes Payable	
	Principal	Interest
2005	\$ 54,825	\$ 34,041
2006	57,022	31,664
2007	59,318	29,188
2008	62,718	26,608
2009	65,225	23,891
2010-2014	369,866	74,535
2015-2020	124,232	9,130
Total	<u>\$ 793,206</u>	<u>\$ 229,057</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

Description	Transfers Out	Transfers In
Road Bond Funding	\$ -	\$ 12,989
Streets & Drainage Funding		25,000
Complex Renovation Funding		15,000
Municipal Airport Imp		10,000
Class C transfer In	12,989	
Runway Rehabilitation	10,000	
Complex Renovation	15,000	
Streets & Drainage	25,000	
	<u>\$ 62,989</u>	<u>\$ 62,989</u>
	Administrative Charges Paid	Administrative Charges Received
Audit Reimbursement - Sewer	4,000	
Audit Reimbursement - Water	5,000	
Water Fund Office Rent	4,600	
Admin Reimbursement - Sewer	15,000	
Admin Reimbursement - Water	20,000	
Water Fund Rent		4,600
Admin Reimb to General		20,000
Audit		5,000
Admin Reimb to General		15,000
Audit		4,000
Total Transfers	<u>\$ 48,600</u>	<u>\$ 48,600</u>

The City had the following interfund receivable and payable balances as of June 30, 2004:

	Receivable	Payable
General Fund	\$ 39,819	\$ 64,299
Runway Rehabilitation Fun	10,000	38,661
Complex Renovation Fund	15,000	
Streets & Drainage Fund	25,000	
Water Fund	14,299	
Sewer Fund		1,158
Totals	<u>\$ 104,118</u>	<u>\$ 104,118</u>

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 10,297,740	\$ 2,572,227	\$ 12,869,967
Restricted for:			
Library Trust	35,826		35,826
Road Improvements	152,386		152,386
Debt Service	790,334		790,334
Fire Department	13,339		13,339
Unrestricted (Deficit)	338,057	991,218	1,329,275
Total Net Assets	<u>\$ 11,627,682</u>	<u>\$ 3,563,445</u>	<u>\$ 15,191,127</u>

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

Plan Description. The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), and the Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing, multiple-employer defined benefit pensions plans administered by the Utah Retirement Systems (Systems). The Systems provide, retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the State Retirement Office (Office) for the administration of the Utah retirement Systems and Plans. Chapter 40 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems, 9.62%. The contribution rates are the actuarially determined rates and

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

are approved by the Board as authorized by Chapter 49.

The City contributions to the various systems for the years ending June 30, 2004, 2003, and 2002 were; for the Noncontributory System \$38,940, \$33,846, and \$31,440.

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 years ending June 30, 2004, 2003, and 2002 were, \$12,589, \$12,113, and \$11,924.

4.B. 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 comprehensive general liability insurance through the Utah Local Governments Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self-sustaining through member premiums. The City is subject to a minimal deductible for claims.

4.C. JUAB RURAL DEVELOPMENT AGENCY

During 1991 the City of Delta entered in an interlocal agreement with Juab County, Levan, and Mona to create the Juab Rural Development Agency. The purpose of the Agency was to provide for the joint and coordinated funding, construction, and operation of a natural gas transmission line and separate municipal delivery systems to service the municipalities of Delta, Levan, and Mona. Each municipality operates and owns its own distribution system as well as an undivided interest in the main transportation line.

In September of 1996, the City of Delta transferred the City landfill to the Juab Rural Development Agency. Juab County agreed to act as agent for the landfill. The County maintains the operating records and bank accounts and is responsible for the daily operation of the landfill in accordance with local, state, and federal ordinances, statutes, rules, and regulations. Waste collection, billing, and collection of landfill fees, is performed by the individual members with fees being remitted to the County. The Agency has assumed the responsible for all closure and post-closure costs of the landfill site. The Agency's financial information is reported as part of Juab County's financial statements.

4.D. INVESTMENT IN JOINT VENTURE

In September, 1980, Delta City joined with seven other municipalities to create the Utah Municipal Power Agency (UMPA). UMPA was created under the Interlocal Co-operation Act to evaluate, finance, construct and operate facilities for the generation,

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

transmission, and distribution of electric power for governmental units and their citizens and customers.

During September, 1985, Payson City and Springville City withdrew from UMPA, thus increasing the remaining members' percentage of assets, liabilities, and equity. The remaining UMPA members and their respective percentages of ownership are as follows:

	<u>Percentage</u>
Manti City Corporation	2.164%
Delta City Corporation	5.839
Provo City Corporation	80.540
Salem City Corporation	1.446
Spanish Fork City Corporation	9.409
Town of Levan	<u>0.602</u>
	<u>100.000%</u>

UMPA is governed by a Board of Directors. Each member appoints one director to the Board. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Co-operation Agreement where votes shall be by number of megawatt hours sold.

Audited financial statements for UMPA are available at UMPA's office. UMPA bills members at rates sufficient to cover the costs of operating and maintaining the Agency and the costs of debt service, but not items such as depreciation and amortization. Thus, any gain or loss results in a decrease or increase in subsequent billings to the members, rather than increasing or decreasing member's equity as would normally be expected. The current member's equity only reflects the original investment from members, less the amount returned to Payson City and Springville City at the time of their withdrawal.

4.E. ADMINISTRATION CHARGES, GENERAL SERVICES, AND CONTRIBUTIONS FROM OTHER FUNDS

Administrative charges in the enterprise funds represent payments to the general fund to compensate for billing and administrative services provided by City personnel.

General services in the enterprise funds represent payments to the general fund for equipment and operating services provided by other City departments.

Contributions from other funds are administrative charges and general services paid by the enterprise funds and are reported as revenue in the general fund.

SUPPLEMENTARY INFORMATION

City of Delta, Utah
Combining Balance Sheet for Governmental Nonmajor Funds
June 30, 2004

	Special Revenue Fund		Permanent fund		Capital Project Funds			Total Nonmajor Governmental Funds
	Street Lighting		Library Trust		Equipment Acquisition	Streets and Drainage	Complex Renovation	
ASSETS								
Cash and cash equivalents	\$ 26,653	\$ 35,826			\$ 13,582	\$ 7,636	\$ 6,132	\$ 94,834
Investments - restricted								0
Due From other funds						25,000	15,000	40,000
Inventory						25,235		25,235
Total assets	<u>26,658</u>	<u>35,826</u>			<u>18,582</u>	<u>57,671</u>	<u>21,132</u>	<u>160,069</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accrued liabilities						335		385
Total liabilities	0	0			0	385	0	385
Fund balances:								
Reserved for:								
Library trust		35,826						35,826
Inventories						25,235		25,235
Unreserved, reported in:								
Special revenue funds								
Capital project funds					18,582	32,251	21,132	71,965
Total fund balances	<u>26,658</u>	<u>35,826</u>			<u>18,582</u>	<u>57,486</u>	<u>21,132</u>	<u>159,684</u>
Total liabilities & fund balance	<u>\$ 26,658</u>	<u>\$ 35,826</u>			<u>\$ 18,582</u>	<u>\$ 57,871</u>	<u>\$ 21,132</u>	<u>\$ 160,069</u>

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

City of Delta, Utah
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Fund		Permanent Fund		Capital Project Funds			Total
	Street Lighting	401	Library Trust		Equipment Acquisition	Streets and Drainage	Complex Renovation	Nonmajor Governmental Funds
REVENUES:								
Investment earnings		401		546	\$ 334	\$ 227	\$ 845	\$ 2,353
Other income				210				210
Total		401		756	334	227	845	2,563
EXPENDITURES:								
Parks, recreation and public property				2,631				2,631
Capital outlay					5,939	39,596	50,650	96,185
Total		0		2,631	5,939	39,596	50,650	98,816
Excess of revenues over (under) expenditures		401		(1,875)	(5,605)	(39,369)	(49,805)	(96,253)
Other financing sources (uses):								
Transfers in							15,000	40,000
Total other financing sources (uses)		0		0	0	25,000	15,000	40,000
Excess of revenues and other sources over (under) expenditures and other uses		401		(1,875)	(5,605)	(14,369)	(34,805)	(56,253)
Fund Balances - Beginning of year		26,257		37,701	24,187	71,855	55,937	215,937
Fund Balances - End of year		26,658		35,826	\$ 18,532	\$ 67,486	\$ 21,132	\$ 159,634

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

MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING

As allowed by GASB 34, Delta City has adopted an alternative to reporting depreciation on roads (infrastructure assets) maintained by the Public Works Department. Under the modified approach, infrastructure assets are not depreciated and maintenance and preservation costs are expensed.

Infrastructure assets that are part of a network are not required to be depreciated as long as the following requirements are met:

- The assets will be managed using an asset management system
- Document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level as disclosed below

The asset management system will provide:

- An up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale at least every three years
- Estimate yearly the annual amount of funds needed to maintain and preserve the eligible infrastructure assets at the condition level established
- The results of the three most recent complete condition assessments provide reasonable assurance that the eligible infrastructure assets are being preserved at the disclosed level
- All expenditures, except for additions and improvements, made for the eligible infrastructure assets will be expensed in the period incurred
- Additions and improvements to the eligible infrastructure assets will be capitalized, as they increase the capacity or efficiency of the asset rather than preserve the useful life of the asset

Roads

Delta City will use a modified Pavement Management System to determine the condition of the city roads. The assessment is based on the Ride Index, which is a measurement of ride quality on a scale of 1-5, with 5 representing new or nearly new pavement.

Category	Range	Description
Good	3.55 – 4.34	Pavements, which provide an adequate, ride, and exhibit few, if any, visible signs of distress.
Fair	2.75 – 3.54	Surface defects in this category such as cracking, rutting, and raveling are affecting the ride.
Poor	1.85 – 2.74	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough.
Very Poor	1.00 – 1.84	Pavements in this category are severely deteriorated, and the ride quality must be improved.

Condition Level

Delta City's policy is to maintain 60% of the roads with a rating of "fair" or better and no more than 15% with a rating of "poor-very poor." All city roads are chip sealed on a rotating basis, with 1/6 of the city streets done in a given year, and the rotation started every six to seven years. The whole city had roads chip sealed between the years 2000, 2001, and 2002.

Complete assessments of the roads are performed on a fiscal year basis. The following chart shows the results of the pavement ratings for the last three years:

Rating	2004	2003	2002
Fair or Better	97.3	97.3	97.3
Poor - Very Poor	2.7	2.7	2.7

The following table shows the estimated amounts needed to maintain and preserve the roads at or above the established condition levels addressed above, and the amounts actually spent for each of the last three fiscal years.

Fiscal Year	Estimated Spending	Actual Spending
2004	234,667	114,665
2003	262,416	186,890
2002	229,155	87,887

**CITY OF DELTA, UTAH
INDEPENDENT AUDITORS REPORT
IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
MANAGEMENT LETTER
JUNE 30, 2004**

**CITY OF DELTA, UTAH
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JUNE 30, 2004**

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GOVERNMENT AUDITING STANDARDS REPORT



LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

**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***

August 25, 2004

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

Mayor and Council Members:

We have audited the accompanying basic financial statements of the City of Delta, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 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*.

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 financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material

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. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the management letter.

This report is intended for the information of the Mayor and City Council, management, others within the organization, and various federal and state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Larson & Peterson

Larson & Peterson
Certified Public Accountants

STATE COMPLIANCE REPORT



LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

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

August 25, 2004

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

Mayor and Council Members:

We have audited the basic financial statements of the City of Delta, Utah, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. 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, 2004. 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	Cash Management
Purchasing Requirements	Budgetary Compliance
Truth in Taxation & Property Tax Limitations	Justice Courts Compliance
Other General Compliance Requirements	Uniform Building Code
Asset Forfeiture	

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.

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, 2004.

Larson & Peterson

Larson & Peterson
Certified Public Accountants

MANAGEMENT LETTER

CURRENT YEAR FINDINGS

FINDING – BUDGETED REVENUES

Budgeted revenues on the TC-693 Report for property taxes do not equal budgeted revenues for property taxes in the City's adopted budget as required by law.

RECOMMENDATION

We recommend that the City comply with this state regulation by ensuring that the adopted budget for property taxes equals the amount on the TC-693 Report.

CLIENT RESPONSE

Greg, the City Recorder, is aware of the problem and the budget will be amended to match the TC-693.

FINDING – DEFICIT FUND BALANCE

A deficit equity balance existed in the Airport Capital Projects Fund. State law prohibits deficit equity balances.

RECOMMENDATION

The City should closely monitor the expenditures in the current year to ensure that the funds deficit equity balance is reversed and see that proper transfer are made to the Airport Capital Projects Fund.

CLIENT RESPONSE

The deficit is due to a payment near year end of engineering services. The deficit will be reversed.

STATUS OF PRIOR YEAR FINDINGS

STATE COMPLIANCE FINDINGS

FINDING – UTILITY BILLING INCORRECTLY CALCULATED

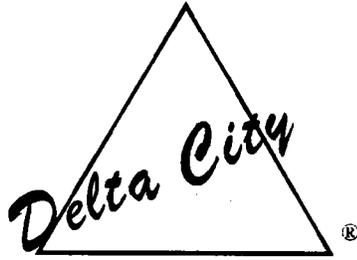
We tested 10 utility accounts and found that for one of the accounts the sewer billing was not calculated correctly. The incorrect billing was for a 15-unit apartment complex. An additional 10 commercial customers were tested and 5 of those tested were found to be incorrect. We found that manual entries had been made in the customer accounts and had not been removed after the rate tables had been updated. Those entries were overriding the computer calculation based on the rate table.

RECOMMENDATION

We recommend that the rates be double checked when entered in the utility software to ensure that they are correct. We further recommend that manual overrides be monitored and approved by someone not associated with utility billings and removed as soon as possible from the system.

STATUS

No problems noted in current audit.



DELTA CITY
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www.deltautah.com

December 22, 2004

To The Readers of our Financial Statements:

Upon review of Delta City's Basic Financial Statements Auditor Report, it has been noted that it therein contains some erroneous information which is presented within the *Notes to the Financial Statements* section.

The Index on page 16 refers the reader to Notes 4.C. and 4.D. (see pages 37 and 38), with regard to Delta City's affiliation with the Juab Rural Development Agency and our Investment in Joint Venture (with UMPA). The inclusion of these notes were a report compilation error on the part of our auditing firm and Delta City Corporation has no affiliation in any form with either of these two referenced entities.

Also, on page 23, within the paragraph entitled *Restricted Assets*, please also disregard the statement "Amounts are held in the fund for future burial and cemetery costs," as this too is erroneous.

Thank You,

Delta City Corporation Management