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**CITY OF DELTA, UTAH  
INDEPENDENT AUDITORS' REPORT  
FINANCIAL STATEMENTS  
JUNE 30, 2007**

**CITY OF DELTA, UTAH**  
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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Delta, Utah

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Delta, Utah, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Delta's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delta, Utah, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 6, 2007 on my consideration of the City of Delta's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not

to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 3 and page 10 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Todd E. Holt, CPA

Delta, Utah  
December 6, 2007

**DELTA CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

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As the management of Delta City Corporation we are pleased offer readers of the City's financial statements this narrative overview and analysis of the financial activities of our municipality for the fiscal year ended June 30, 2007. We wish to encourage those who would read this document to consider the information presented herein in conjunction with the financial statements in our focus to provide a more informative illustration of our financial position and operations.

**FINANCIAL HIGHLIGHTS**

- ✚ The assets of Delta City Corporation exceeded its liabilities at June 30, 2007 by \$16,401,402. Of this amount, unrestricted net assets of \$1,807,411 may be used to meet the City's ongoing obligations to citizens and creditors.
- ✚ The total net assets increased by \$352,291 over the prior year. Of this amount was an increase of \$231,153 associated with governmental activities and an increase of \$121,137 with business-type activities.
- ✚ At the close of the current fiscal year, Delta City Corporation's governmental funds reported combined ending fund balances of \$1,465,084. Of this amount, \$360,899 is unreserved and available for spending. The remaining \$1,104,185 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 \$286,457 or 14.27% of current year revenues, which is in compliance with § 10-6-116(2) Utah Code Annotated, 1953, as amended. We have consistently ended our fiscal operations with our unreserved fund balance within the 12-15% range for many years, and realize the value of having sufficient funds available to maintain operations without interruption until new fiscal year revenue streams begin to be realized.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Delta City Corporation'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 Delta City Corporation'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 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. The funds of Delta City Corporation can be divided into two categories: governmental funds and proprietary 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 a General Fund, a Debt Service Fund, a Special Revenue Fund, several Capital Project Funds and a Permanent Fund. 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 and Debt Service Funds which are considered major funds. Data from the other 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** – Delta City Corporation maintains proprietary funds. 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.

**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**

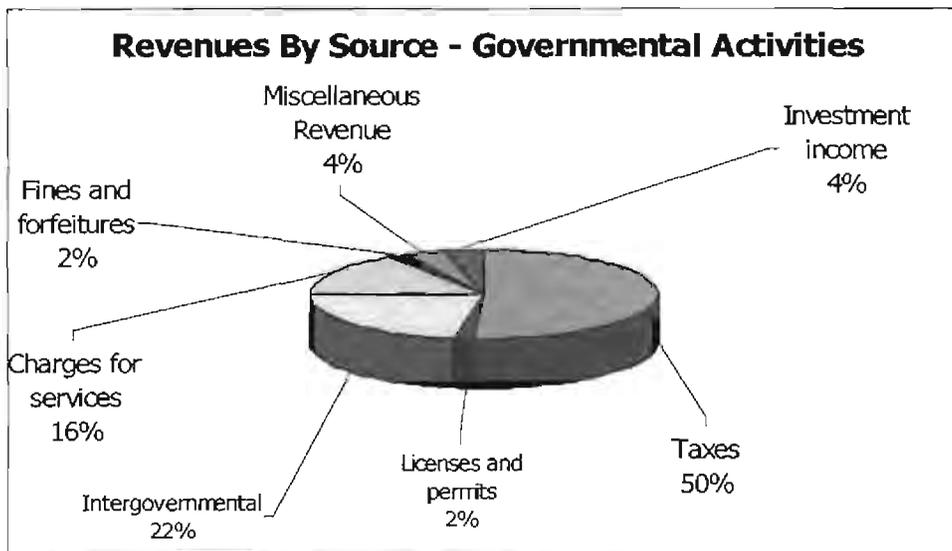
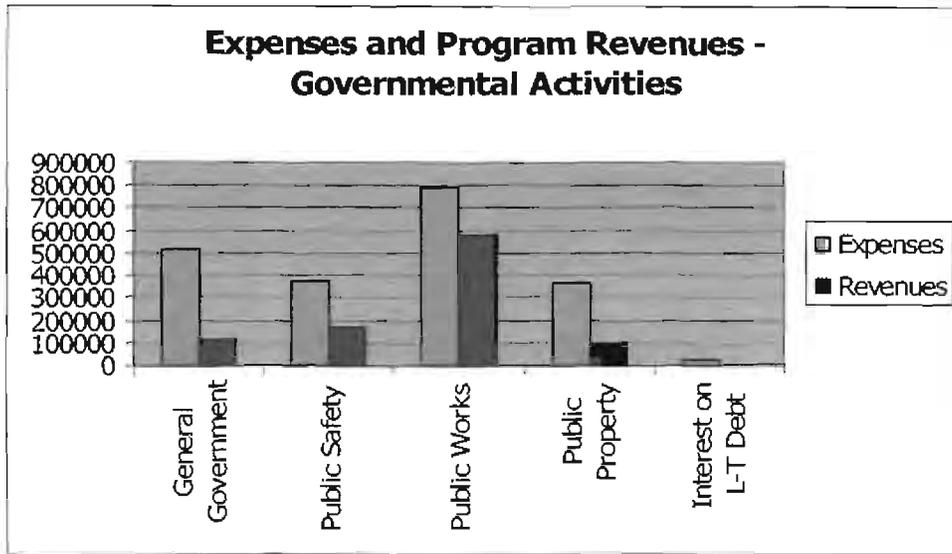
As was earlier noted, net assets may serve over a period of time as a useful indicator of a government's financial position. At June 30, 2007, the City's assets exceeded its liabilities by \$16,401,402. The largest portion of the net assets, totaling  $\approx 82.42\%$  is a reflection of its investment 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, 2007 and 2006						
	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	1,565,483	1,362,793	1,457,043	1,243,140	3,022,526	2,605,933
Capital assets	11,938,636	11,953,679	2,227,453	2,343,300	14,166,089	14,296,979
Total assets	13,504,119	13,316,472	3,684,496	3,586,440	17,188,615	16,902,912
Other liabilities	189,719	159,106	32,810	55,892	222,529	214,998
Long-term liabilities outstanding	564,684	627,405	-	-	564,684	627,405
Total liabilities	754,403	786,511	32,810	55,892	787,213	842,403
Net assets:						
Invested in capital assets, net of related debt	11,289,999	11,249,148	2,227,454	2,343,300	13,517,453	13,592,448
Restricted	1,076,539	931,160	-	-	1,076,539	931,160
Unrestricted	383,178	349,653	1,424,233	1,187,249	1,807,411	1,536,902
Total net assets	12,749,716	12,529,961	3,651,687	3,530,549	16,401,403	16,060,510

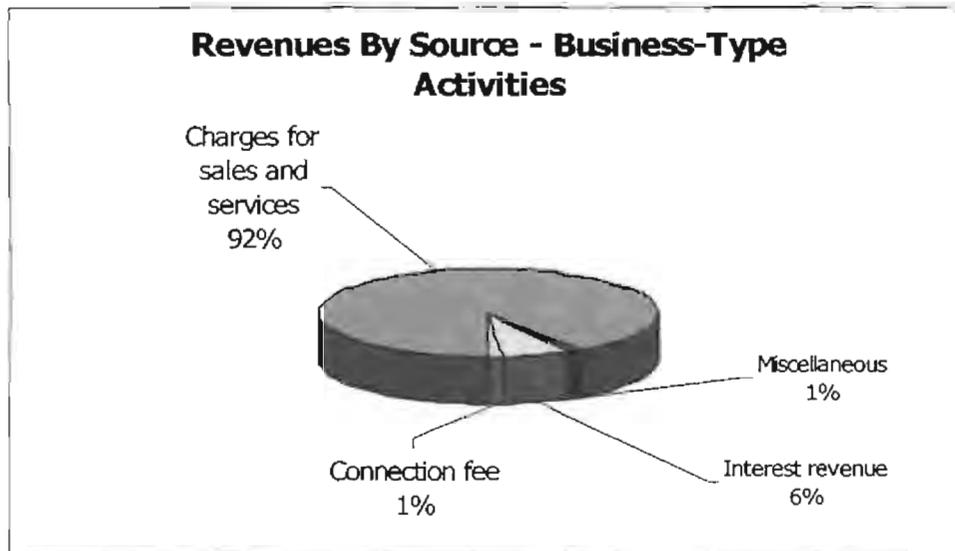
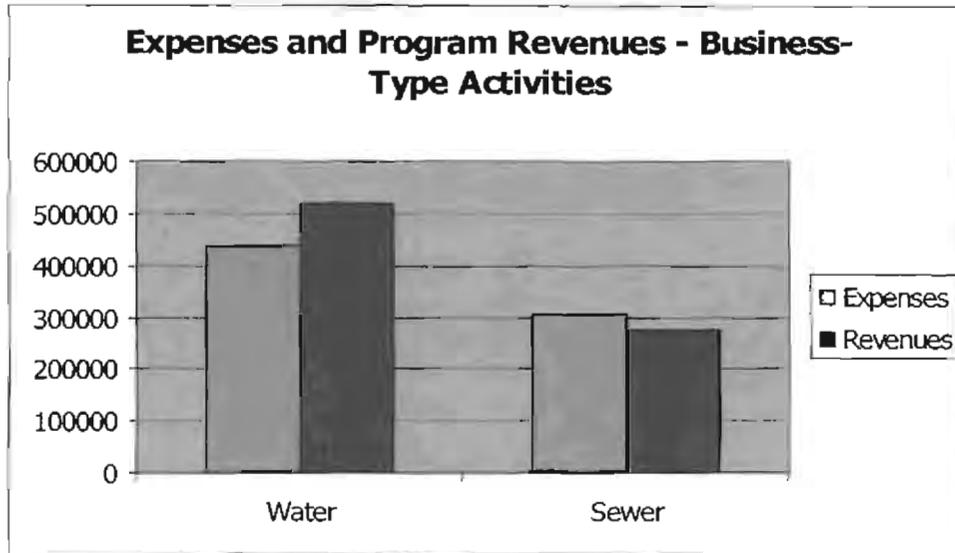
A portion of the net assets, totaling \$1,076,539, or  $\approx$  6.56% represents resources that are subject to restrictions on their use. The balance of unrestricted net assets of \$1,807,411, or  $\approx$  11.02% may be used to meet the City's ongoing obligations to citizens and creditors. At the 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, 2007 and 2006						
	Government Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for services	443,691	350,955	781,136	689,529	1,224,827	1,040,484
Operating grants and contributions	282,365	331,664	-	-	282,365	331,664
Capital grants and contributions	233,549	150,450	12,900	15,150	246,449	165,600
General revenues:						
Property taxes	354,998	312,586	-	-	354,998	312,586
Other taxes	820,473	783,238	-	-	820,473	783,238
Unrestricted investment earnings	88,595	27,327	54,552	34,439	143,147	61,766
Other	83,796	99,760	12,425	11,883	96,221	111,643
Total revenues	2,307,467	2,055,980	861,013	751,001	3,168,480	2,806,981
Expenses:						
General government	518,011	552,798			518,011	552,798
Public safety	377,764	345,509			377,764	345,509
Public health					-	-
Highways and public improvements	789,078	292,527			789,078	292,527
Parks and recreation	361,882	359,630			361,882	359,630
Interest on long-term debt	29,579	30,052			29,579	30,052
Water			435,822	401,725	435,822	401,725
Sewer			304,054	299,426	304,054	299,426
Total expenses	2,076,314	1,580,516	739,876	701,151	2,816,190	2,281,667
Increase in net assets before transfers	231,153	475,464	121,137	49,850	352,290	525,314
Transfers	-	-	-	-	-	-
Gain/loss on sale of assets	-	(5,580)	-	-	-	(5,580)
Increase in net assets	231,153	469,884	121,137	49,850	352,290	519,734
Net assets - beginning	12,529,961	12,060,077	3,530,549	3,480,699	16,060,510	15,540,776
Net assets - ending	12,761,114	12,529,961	3,651,686	3,530,549	16,412,800	16,060,510

**Governmental Activities** – Governmental activities increased the City’s net assets by \$231,153 or approximately 1.81%. 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 increased the City’s net assets by \$121,137 or approximately 3.32%. 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 increase in the business-type activities are as follows:



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier in this document, Delta City Corporation 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, 2007 Delta City's governmental funds reported combined ending fund balances of \$1,465,083. Of this balance, \$360,899, or  $\approx$  24.63% is unreserved fund balance, which is available for spending at the discretion/designation of the government; this being \$44,409 for capital projects, \$30,033 for special revenue funds and \$286,457 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 58.09% 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, 2007 for this main fund was \$646,067. The other major funds within the governmental activities group were the Streets & Drainage fund and the Debt Service fund, with fiscal year-ending fund balances of \$35,308 and \$679,945 respectively, noting that the debt service balance is 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 \$1,084,573; while the total net assets amounted to \$2,335,242, which included a \$134,341 increase in net assets during the fiscal year. The unrestricted net assets of the Sewer Fund totaled \$339,660; while the total net assets amounted to \$1,316,444, which incorporated a \$13,204 decrease in net assets during the fiscal year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The initially adopted General Fund budget for fiscal year 2007 was in the amount of \$2,480,152 (\$1,926,344 net of budgeted use of fund balances). The budget was subsequently amended to \$2,601,465 (\$2,074,540 net of budgeted use of fund balances). This increase in the General Fund budget amounted to \$121,313. 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, 2007 amounted to \$14,166,089 (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)**

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total for 2007</u>
Water Stock	-	316,664	316,664
Land	449,664	23,534	473,198
Buildings	888,665	1,793,841	2,682,506
Improvements other than Buildings	710,993	5,690	716,683
Equipment	131,055	87,724	218,779
Infrastructure	9,758,259	-	9,758,259
<b>Total Assets</b>	<b>11,938,636</b>	<b>2,227,453</b>	<b>14,166,089</b>

**Long-Term Debt** – At the end of the current fiscal year, the City has \$622,033 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.

**Delta City Corporation's Outstanding Debt**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Excise Tax Revenue Bonds	\$ 522,579	\$	\$ 522,579
General Obligation Bonds	99,454	-	99,454
Total	<u>\$ 622,033</u>	<u>\$ -0-</u>	<u>\$ 622,033</u>

Delta City's bonded debt decreased by \$59,321 during the current fiscal year. There were no new issues of indebtedness during the audit year just completed. However, during fiscal year 2008, a water revenue bond was issued for \$3,073,000 in order to provide improvements to our culinary water distribution system, which also addressed the mandate issued by the Environmental Protection Agency's to provide *drinking water with less than five (5) parts per billion of detectable arsenic*. The bond bears a zero (0) percent interest rate and will be repaid over the next thirty years commencing on October 18, 2008 in the amount of \$102,000 annually from user rates generated from the water enterprise fund.

**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. The City Recorder/Finance Director and the Mayor also closely monitor the results of financial operations throughout the course of the fiscal year and report to the Council on a periodic basis.

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 3% cost-of-living adjustment was allowed for

Delta City's employees for fiscal year 2007, in addition to the City maintaining payment of employee health insurance premiums, but note that for the second year now, a different health plan was offered than has been historically been provided by the City for our employees. The General Fund budget for fiscal year 2008 is \$2,774,012 (\$2,054,855 net of budgeted fund balances); \$172,547 more (\$19,685 less net of budgeted fund balances); than the final amended budget for fiscal year 2007.

### **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. As a political subdivision of the State of Utah, we are compliant with the Governmental Records and Management Act (GRAMA), therefore, any questions concerning any of the information provided in this report or request for additional financial information can be acquired and should be addressed to Gregory J. Schafer, CMC, City Recorder/Finance Director, Delta City Corporation, 76 North 200 West, Delta, Utah 84624-9440.

**CITY OF DELTA, UTAH**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
Cash and Cash Equivalents	\$ 254,714	\$ 1,207,155	\$ 1,461,869
Prepaid Items	44,187	31,986	76,173
Utility Billing Receivable	18,892	99,901	118,793
Other Receivable	182,690	-	182,690
Interest Receivable	24,305	-	24,305
Inventory	27,646	85,878	113,524
Restricted Assets:			
Cash and Cash Equivalents	411,449	-	411,449
Investments	622,212	-	622,212
Internal Balances	(32,122)	32,123	0
Capital Assets Not Being Depreciated			
Water Stock	-	316,664	316,664
Land	449,664	23,534	473,198
Capital Assets Being Depreciated (net)			
Building	888,665	1,793,841	2,682,506
Improvements Other Than Buildings	710,993	5,690	716,683
Equipment	131,055	87,724	218,779
Infrastructure	9,758,259	-	\$ 9,758,259
<b>Total Assets</b>	<b>13,492,608</b>	<b>3,684,497</b>	<b>17,177,105</b>
<b>Liabilities</b>			
Accrued Liabilities	100,399	16,928	117,326
Deferred Revenue	-	15,883	15,883
Bond Interest Payable	26,603	-	26,603
Revenue Bonds Payable - Due With in One Year	62,717	-	62,717
Revenue Bonds Payable - Due in More Than One Year	559,317	-	559,317
Compensated Absences	5,367	-	5,367
<b>Total Liabilities</b>	<b>754,403</b>	<b>32,810</b>	<b>787,213</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	11,289,999	2,227,454	13,517,452
Restricted for:			
Library Trust	36,983	-	36,983
Road Improvements	359,611	-	359,611
Debt Service	679,945	-	679,945
Fire Department	11,510	-	11,510
Unrestricted (Deficit)	360,158	1,424,233	1,784,391
<b>Total Net Assets</b>	<b>\$ 12,738,206</b>	<b>\$ 3,651,687</b>	<b>\$ 16,389,892</b>

The Notes to the Financial Statements are an Integral Part of this statement.

**CITY OF DELTA, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 518,011	\$ 115,724	-	-	\$ (402,287)	-	\$ (402,287)
Public Safety	377,764	68,816	101,596	-	(207,351)	-	(207,351)
Public Works	789,078	187,316	164,974	226,344	(210,444)	-	(210,444)
Parks, Recreation & Public Property	361,882	71,834	15,795	7,205	(267,048)	-	(267,048)
Interest on Long-Term Debt	29,579	-	-	-	(29,579)	-	(29,579)
Total Governmental Activities	<u>2,076,314</u>	<u>443,691</u>	<u>282,365</u>	<u>233,549</u>	<u>(1,116,708)</u>	<u>-</u>	<u>(1,116,708)</u>
Business-Type Activities:							
Water	435,822	511,590	-	6,800	-	\$ 82,569	82,569
Sewer	304,054	269,545	-	6,100	-	(28,409)	(28,409)
Total Business-Type Activities	<u>739,876</u>	<u>781,136</u>	<u>-</u>	<u>12,900</u>	<u>-</u>	<u>54,160</u>	<u>54,160</u>
Total Primary Government	<u>\$ 2,816,189</u>	<u>\$ 1,224,826</u>	<u>\$ 282,365</u>	<u>\$ 246,449</u>	<u>(1,116,708)</u>	<u>54,160</u>	<u>(1,062,549)</u>
<b>General Revenues</b>							
Taxes:							
Property Taxes					354,998		354,998
Sales Taxes					656,859		656,859
Franchise Taxes					163,614		163,614
Unrestricted Investment Earnings					88,595	54,552	143,147
Miscellaneous					83,796	12,425	96,221
Gain/(Loss) on Sale of Fixed Assets					-	-	-
Total General Revenues and Transfers					<u>1,347,862</u>	<u>66,977</u>	<u>1,414,839</u>
Change in Net Assets					231,153	121,137	352,291
Net Assets Beginning of Year - (See Note 3)					12,529,961	3,530,549	16,060,510
Net Assets End of Year					<u>\$ 12,761,114</u>	<u>\$ 3,651,686</u>	<u>\$ 16,412,801</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**CITY OF DELTA, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	General	Streets & Drainage	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 156,716	\$ 12,485	33,429	\$ 52,085	\$ 254,714
Prepaid Expenses	44,187	-	-	-	44,187
Receivables (net)					
Utility Billings	18,892	-	-	-	18,892
Other	182,690	-	-	-	182,690
Due From Other Funds	4,689	-	-	-	4,689
Interest Receivable	-	-	24,305	-	24,305
Inventory	-	27,646	-	-	27,646
Restricted Cash and Cash Equivalents	359,611	-	-	51,838	411,449
Restricted Investments	-	-	622,212	-	622,212
<b>Total Assets</b>	<b>\$ 766,785</b>	<b>\$ 40,131</b>	<b>\$ 679,945</b>	<b>\$ 103,923</b>	<b>\$ 1,590,784</b>
<b>Liabilities</b>					
Due To Other Funds	36,698	114	-	-	36,812
Accrued Liabilities	95,530	4,709	-	160	100,399
Deferred Revenue - Customer Deposits	-	-	-	-	-
<b>Total Liabilities</b>	<b>132,228</b>	<b>4,823</b>	<b>-</b>	<b>160</b>	<b>137,210</b>
<b>Fund Balances</b>					
Reserved for:					-
Library Trust	-	-	-	36,983	36,983
Inventories	-	27,646	-	-	27,646
Road Improvements	359,611	-	-	-	359,611
Fire Department	11,510	-	-	-	11,510
Debt Service Fund	-	-	679,945	-	679,945
Unreserved Reported In:					
General Fund	286,457	-	-	-	286,457
Special Revenue Funds	-	-	-	30,033	30,033
Capital Projects Funds	-	7,662	-	36,747	44,409
<b>Total Fund Balances (Deficits)</b>	<b>657,578</b>	<b>35,308</b>	<b>679,945</b>	<b>103,763</b>	<b>1,476,594</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 789,805</b>	<b>\$ 40,131</b>	<b>\$ 679,945</b>	<b>\$ 103,923</b>	<b>\$ 1,613,804</b>

The Notes to the Financial Statements are an Integral Part of the this Statement.

**CITY OF DELTA, UTAH**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2007**

<b>Total Fund Balances - Governmental Funds Types</b>	\$ 1,476,594
<b>Amounts reported for governmental activities in the statement of net assets are different because</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,938,636
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(654,004)
Net Assets of Governmental Activities	<u>\$ 12,761,226</u>

**CITY OF DELTA, UTAH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	General	Streets & Drainage	Debt Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$1,166,307	\$ -	\$9,164	\$ -	\$1,175,471
Licenses and Permits	42,581	-	-	-	42,581
Intergovernmental	289,570	226,344	-	-	515,914
Charges for Services	363,991	-	-	-	363,991
Fines and Forfeitures	37,119	-	-	-	37,119
Miscellaneous Revenue	83,796	-	-	-	83,796
Investment Income (Loss)	24,288	1,197	58,595	4,514	88,595
<b>Total Revenues</b>	<b>2,007,653</b>	<b>227,541</b>	<b>67,759</b>	<b>4,514</b>	<b>2,307,467</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	518,011	-	-	-	518,011
Public Safety	377,764	-	-	-	377,764
Highways and Public Improvements	519,449	144,320	-	4,050	667,820
Parks, Recreation, & Public Property	361,882	-	-	-	361,882
Capital Outlay	-	106,212	-	-	106,212
<b>Debt Service:</b>					
Principal Retirement	-	-	59,321	-	59,321
Interest and Fiscal Charges	-	-	29,579	-	29,579
<b>Total Expenditures</b>	<b>1,777,106</b>	<b>250,532</b>	<b>88,900</b>	<b>4,050</b>	<b>2,120,588</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	230,547	(22,991)	(21,141)	464	186,879
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	10,000	12,667	25,000	47,667
Transfers Out	(47,667)	-	-	-	(47,667)
<b>Total Other Financing Sources (Uses)</b>	<b>(47,667)</b>	<b>10,000</b>	<b>12,667</b>	<b>25,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>182,880</b>	<b>(12,991)</b>	<b>(8,474)</b>	<b>25,464</b>	<b>186,879</b>
Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)	463,187	48,299	688,419	78,299	1,278,204
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 646,067</b>	<b>\$ 35,308</b>	<b>\$ 679,945</b>	<b>\$ 103,763</b>	<b>\$ 1,465,083</b>

**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, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ 186,879

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

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (15,047)

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. Repayment 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 59,321

**Change in Net Assets of Governmental Activities** \$ 231,153

**CITY OF DELTA, UTAH**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes:</b>				
Ad Valorem Property Taxes	\$ 250,000	\$ 250,000	\$265,708	\$ 15,708
Fee-in-lieu of Taxes	65,000	65,000	70,554	5,554
Prior Years' Delinquent Property Taxes	10,000	10,000	9,573	(427)
General Sales Taxes	530,000	560,000	608,971	48,971
Municipal Energy Fees	38,000	38,000	47,887	9,887
Franchise Fees	150,000	150,000	163,614	13,614
<b>Total Taxes</b>	<u>1,043,000</u>	<u>1,073,000</u>	<u>1,166,307</u>	<u>93,307</u>
<b>Licenses and Permits</b>				
Business Licenses	22,000	22,000	22,105	105
Building Permits	25,000	25,000	18,164	(6,836)
Animal Licenses and Fees	2,500	2,500	2,312	(188)
<b>Total Licenses and Permits</b>	<u>49,500</u>	<u>49,500</u>	<u>42,581</u>	<u>(6,919)</u>
<b>Intergovernmental</b>				
Class "C" Road Funds	148,900	166,125	164,974	(1,151)
State Liquor Funds	5,000	6,347	6,347	0
Fire Department O&M - MCFSD	58,500	58,500	58,500	-
State Library Grant	4,000	4,000	5,795	1,795
LSCA Technology Grant	7,500	14,055	7,205	(6,850)
Federal Weapons of Mass Destruction	25,600	29,989	29,989	(0)
Title V Grant	45,000	38,000	6,760	(31,240)
FEMA Grant	-	-	10,000	10,000
<b>Total Intergovernmental Revenue</b>	<u>294,500</u>	<u>317,016</u>	<u>289,570</u>	<u>(27,446)</u>
<b>Charges for Services</b>				
Wildland Fire Protection Reimbursement	1,500	19,244	19,244	-
Fire Truck Service Fees	15,000	11,157	11,157	0
Crosswalk Gaurds Reimbursement	8,850	8,850	7,796	(1,054)
Subdivision Improvement Fees	100	100	1,085	985
Municipal Lease & Rental Fess	15,000	15,000	16,134	1,134
Airport Fuel Taxes	350	350	399	49
Irrigation/Ditch Tax & Rental	4,500	4,500	4,290	(210)
Zoning and Subdivision Fees	200	200	410	210
Millard County Landfill Use Fees	178,000	178,000	183,026	5,026
Audit Reimbursement - Sewer	2,500	2,500	2,500	-
Audit Reimbursement - Water	3,000	3,000	3,000	-
Water Enterprise Office Rent	6,000	6,000	6,000	-
Admin Reimbursement - Sewer	18,000	18,000	18,000	-
Admin Reimbursement - Water	27,100	27,100	27,100	-
Airport Avaition Fuel Sales	76,000	124,626	63,851	(60,775)
<b>Total Charges for Services</b>	<u>356,100</u>	<u>418,627</u>	<u>363,991</u>	<u>(54,636)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Fines and Forfeitures				
Court Fines	32,000	32,000	25,456	(6,544)
Small Claims Fees	1,000	1,000	1,230	230
Library Fines and Fees	7,500	7,500	7,585	85
Motor Carrier Fees	2,500	2,500	2,848	348
Total Fines and Forfeitures	<u>43,000</u>	<u>43,000</u>	<u>37,119</u>	<u>(5,881)</u>
Miscellaneous				
Health Ins Reimbursement - Firemen	5,289	5,289	5,289	(0)
Health Ins Reimbursement - Non Firemen	13,844	14,017	13,955	(63)
Interest	12,145	20,345	24,288	3,943
Utilities - State Bookmobile	600	600	600	-
Delta Area Youth Council	500	-	980	980
West Millard Youth Court	1,000	1,000	-	(1,000)
Miscellaneous	25,000	75,000	62,973	(12,027)
Total Miscellaneous	<u>58,378</u>	<u>116,251</u>	<u>108,085</u>	<u>(8,166)</u>
Total Revenues	<u>\$1,844,478</u>	<u>\$2,017,394</u>	<u>\$2,007,653</u>	<u>(\$9,741)</u>
<b>Expenditures</b>				
General Government:				
Mayor & Council	163,477	119,419	49,826	69,593
Judicial	51,472	51,230	47,168	4,062
Treasurer	59,746	59,708	54,994	4,714
Recorder/Finance Director	179,912	178,269	170,246	8,023
Attorney	108,038	110,445	84,691	25,754
City Hall	140,161	128,096	111,085	17,011
Total General Government	<u>702,806</u>	<u>647,167</u>	<u>518,011</u>	<u>129,156</u>
Public Safety:				
Law Enforcement	222,502	233,008	228,535	4,473
Animal Control	24,871	24,871	19,048	5,823
Building Inspection	15,500	15,500	7,597	7,903
Fire Administration	115,414	126,141	122,584	3,557
Total Public Safety	<u>378,287</u>	<u>399,520</u>	<u>377,764</u>	<u>21,756</u>
Highways and Public Improvements:				
Streets	745,372	767,560	343,842	423,718
County Landfill	172,500	172,500	172,264	236
Irrigation System	7,965	7,954	3,344	4,610
Total Highways and Public Improvements	<u>925,837</u>	<u>948,014</u>	<u>519,449</u>	<u>428,565</u>
Parks, Recreation and Public Property:				
Parks	68,779	68,779	54,916	13,863
Library	155,637	158,090	130,434	27,656
Celebrations	38,170	61,119	55,297	5,822
Municipal Airport	102,650	221,109	121,235	99,874
Total Parks, Recreation and Public Property	<u>365,236</u>	<u>509,097</u>	<u>361,882</u>	<u>147,215</u>
Total Expenditures	<u>2,372,166</u>	<u>2,503,798</u>	<u>1,777,106</u>	<u>726,692</u>
Excess of Revenues Over (Under) Expenditures	<u>(527,688)</u>	<u>(486,404)</u>	<u>230,547</u>	<u>716,951</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	(74,249)	(115,956)	(47,667)	68,289
Total Other Financing Sources (Uses)	<u>(74,249)</u>	<u>(115,956)</u>	<u>(47,667)</u>	<u>68,289</u>
Net Change in Fund Balance	(601,937)	(602,360)	182,880	785,240
Fund Balance Beginning of Year	463,187	463,187	463,187	-
Fund Balance End of Year	<u>\$ (138,750)</u>	<u>\$ (139,173)</u>	<u>\$ 646,067</u>	<u>\$ 785,240</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**CITY OF DELTA, UTAH**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ 914,351	\$ 292,803	\$ 1,207,155
Receivable (Net) - Utilities	73,905	25,997	99,901
Prepaid Expenditures	18,775	13,211	31,986
Due From Other Funds	36,956	-	36,956
Inventory	71,472	\$ 14,406	85,878
Total Current Assets	<u>1,115,458</u>	<u>346,418</u>	<u>1,461,876</u>
Noncurrent Assets:			
Water Stock	316,664	-	316,664
Land	11,767	11,767	23,534
Equipment	171,535	234,848	406,382
Less Accumulated Depreciation	<u>(130,127)</u>	<u>(188,531)</u>	<u>(318,658)</u>
Net Equipment	41,408	46,316	87,724
Buildings	2,145,943	2,418,600	4,564,543
Less Accumulated Depreciation	<u>(1,268,015)</u>	<u>(1,502,686)</u>	<u>(2,770,702)</u>
Net Buildings	877,928	915,914	1,793,841
Improvements	9,622	9,621	19,243
Less Accumulated Depreciation	<u>(6,719)</u>	<u>(6,834)</u>	<u>(13,553)</u>
Net Improvements	2,903	2,787	5,690
Total Noncurrent Assets	<u>1,250,669</u>	<u>976,784</u>	<u>2,227,454</u>
Total Assets	<u>2,366,127</u>	<u>1,323,202</u>	<u>3,689,330</u>
<b>Liabilities</b>			
Current Liabilities:			
Due To Other Funds	-	4,833	4,833
Accrued Liabilities	15,002	1,925	16,928
Deferred Revenue - Customer Deposits	15,883	-	15,883
Total Current Liabilities	<u>30,885</u>	<u>6,758</u>	<u>37,643</u>
Total Liabilities	<u>30,885</u>	<u>6,758</u>	<u>37,643</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,250,669	976,784	2,227,454
Unrestricted	<u>1,084,573</u>	<u>339,660</u>	<u>1,424,233</u>
Total Net Assets	<u>\$ 2,335,242</u>	<u>\$ 1,316,444</u>	<u>\$ 3,651,687</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**CITY OF DELTA, UTAH**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for Sales and Services	\$ 511,590	\$ 269,545	\$ 781,136
Miscellaneous	10,825	1,600	12,425
Total Operating Revenues	<u>522,415</u>	<u>271,145</u>	<u>793,560</u>
<b>Operating Expenses</b>			
Employee Salaries	131,609	93,560	225,169
Employee Benefits	74,302	58,544	132,846
Professional Services	12,787	3,243	16,030
Office Supplies	10,456	444	10,899
Materials and Supplies	31,624	8,864	40,488
Utilities	47,313	7,630	54,943
Telephone	2,752	3,343	6,094
Repairs & Maintenance	12,139	38,688	50,827
Depreciation	55,707	62,870	118,576
Bad Debts	649	256	905
Travel and Training	2,942	250	3,192
Insurance	12,442	8,364	20,806
Administrative Charges	27,100	18,000	45,100
Rental	14,000	0	14,000
Total Operating Expenses	<u>435,822</u>	<u>304,054</u>	<u>739,876</u>
Operating Income (Loss)	<u>86,594</u>	<u>(32,909)</u>	<u>53,685</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Revenue	40,947	13,605	54,552
Connection Fees	6,800	6,100	12,900
Total Non-Operating Revenues (Expenses)	<u>47,747</u>	<u>19,705</u>	<u>67,452</u>
Income (Loss)	134,341	(13,204)	121,137
Change in Net Assets	134,341	(13,204)	121,137
Net Assets Beginning of Year - Restated (See Note 3)	<u>2,200,901</u>	<u>1,329,648</u>	<u>3,530,549</u>
Net Assets End of Year	<u>\$ 2,335,242</u>	<u>\$ 1,316,444</u>	<u>\$ 3,651,686</u>

The Notes to the Financial Statements are an Integral Part to this Statement.

**CITY OF DELTA, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 508,879	\$ 265,440	\$ 774,319
Miscellaneous Receipts	10,825	1,600	12,425
Payments to Suppliers	(165,300)	(81,422)	(246,722)
Payments to Employees	<u>(233,069)</u>	<u>(151,127)</u>	<u>(384,196)</u>
Net Cash Provided by (Used in) Operating Activities	<u>121,334</u>	<u>34,491</u>	<u>155,826</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(2,730)	-	(2,730)
Connection Fees Collected	<u>6,800</u>	<u>6,100</u>	<u>12,900</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>4,070</u>	<u>6,100</u>	<u>10,170</u>
<b>Cash Flows from Investing Activities</b>			
Interest and Dividends Received	<u>40,947</u>	<u>13,605</u>	<u>54,552</u>
Net Increase (Decrease) in Cash and Cash Equivalents	166,352	54,197	220,548
Cash and Cash Equivalents Beginning of Year	<u>747,998</u>	<u>238,607</u>	<u>986,605</u>
Cash and Cash Equivalents End of Year	<u>\$ 914,350</u>	<u>\$ 292,804</u>	<u>\$ 1,207,153</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**City of Delta City**  
**Statement of Cash Flows**  
**Proprietary Funds (continued)**  
**For the Year Ended December 31, 2002**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating Income (Loss)	\$ 86,594	\$ (32,909)	\$ 53,685
Adjustments:			
Depreciation	55,707	62,870	118,576
(Increase) Decrease in Accounts Receivable	(5,811)	(4,105)	(9,915)
(Increase) Decrease in Prepaid Expenditures	(18,775)	(13,211)	(31,986)
(Increase) Decrease in Due From Other Funds	29,733	16,685	46,418
(Increase) Decrease in Inventories	(2,055)	(648)	(2,703)
(Increase) Decrease in Due To Other Funds	-	4,833	4,833
Increase (Decrease) in Accrued Liabilities	(27,158)	977	(26,180)
Increase (Decrease) in Customer Deposits	3,099	-	3,099
Net Cash Provided by (Used in) Operating Activities	<u>\$ 121,334</u>	<u>\$ 34,491</u>	<u>\$ 155,826</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**CITY OF DELTA, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	Special	Permanent	Capital Projects Funds			Total
	Revenue Fund	Fund	Streets and	Airport	Complex	Nonmajor
	Street	Library	Streets and	Airport	Complex	Governmental
	Lighting	Trust	Drainage	Improvements	Renovation	Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 30,033	\$ -	\$ -	\$ -	\$ 22,052	\$ 52,085
Cash and Cash Equivalents-Restricted	-	36,983	-	14,855	-	51,838
Due From Other Funds	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 30,033</b>	<b>\$ 36,983</b>	<b>\$ -</b>	<b>\$ 14,855</b>	<b>\$ 22,052</b>	<b>\$ 103,923</b>
<b>Liabilities</b>						
Due To other Funds	-	-	-	-	-	-
Accrued Liabilities	-	-	-	160	-	160
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160</b>	<b>0</b>	<b>160</b>
<b>Fund Balances</b>						
Reserved for:						
Library Trust	-	36,983	-	-	-	36,983
Inventories	-	-	-	-	-	-
Undesignated (Deficit), Reported in:						
Special Revenue Funds	30,033	-	-	-	-	30,033
Capital Projects Funds	-	-	-	14,695	22,052	36,747
<b>Total Fund Balances (Deficits)</b>	<b>30,033</b>	<b>36,983</b>	<b>-</b>	<b>14,695</b>	<b>22,052</b>	<b>103,763</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,033</b>	<b>\$ 36,983</b>	<b>\$ -</b>	<b>\$ 14,855</b>	<b>\$ 22,052</b>	<b>\$ 103,923</b>

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, 2007**

	Special Revenue Fund	Permanent Fund		Capital Projects Funds			Total Nonmajor Governmental Funds
	Street Lighting	Library Trust	Equipment Acquisition	Streets and Drainage	Airport Improvements	Complex Renovation	
<b>Revenues</b>							
Investment Earnings	1,542	1,899	-	-	586	488	4,514
Intergovernmental Revenue	-	-	-	-	-	-	-
<i>Total Revenues</i>	<u>1,542</u>	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>586</u>	<u>488</u>	<u>4,514</u>
<b>Expenditures</b>							
Highways and Public Improvements	-	-	-	-	160	3,891	4,050
Capital Outlay	-	-	-	-	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>3,891</u>	<u>4,050</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,542</u>	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>426</u>	<u>(3,403)</u>	<u>464</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	-	-	-	-	5,000	20,000	25,000
Transfers Out	-	-	-	-	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>20,000</u>	<u>25,000</u>
<i>Net Change in Fund Balances</i>	<u>1,542</u>	<u>1,899</u>	<u>-</u>	<u>-</u>	<u>5,426</u>	<u>16,597</u>	<u>25,464</u>
<i>Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)</i>	<u>28,492</u>	<u>35,085</u>	<u>-</u>	<u>-</u>	<u>9,270</u>	<u>5,454</u>	<u>78,301</u>
<i>Fund Balances (Deficits) End of Year</i>	<u>\$ 30,034</u>	<u>\$ 36,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,696</u>	<u>\$ 22,051</u>	<u>\$ 103,765</u>

The Notes to the Financial Statements are an Integral part of this Statement.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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.

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

The City's financial reporting entity comprises the following:

Primary Government:           City of Delta  
Blended 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 activities. Governmental activities generally are financed through taxes,

**CITY OF DELTA, UTAH**  
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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 ten 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 five 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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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***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 and Sewer funds.

***Major and Nonmajor Funds***

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

<u>Fund</u>	<u>Brief Description</u>
<b><i>Major:</i></b>	
General	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	
Proprietary Fund:	
Water and Sewer	Accounts for revenues and expenditures of the water on the sewer utilities.
<b><i>Nonmajor:</i></b>	
Capital Project Fund:	
Equipment Acquisition, Streets & Drainage, Airport Improvements, 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.

**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.

**CITY OF DELTA, UTAH**  
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***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.

***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 (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.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**1.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 sales and use taxes, utility billings, and inter-fund transactions. Business-type activities report utilities and interest earnings 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 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.

**CITY OF DELTA, UTAH**  
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***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, 2004, 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 (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, which is based on stress factors found in pavements surfaces.

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 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:

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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 include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

***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 compensated absences, and a court-assessed judgment.

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***

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**CITY OF DELTA, UTAH**  
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**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.G. for additional disclosures.

**1.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 receipts or earlier if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes are based on the assessments against property owners. Tax levies on such assessed values are certified to Millard County prior to the commencement of the fiscal year. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30 of each year. Property taxes are collected by the Millard County Treasurer and remitted to the City shortly after collection.

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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 reallocations 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 and its component units are 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.

**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:

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Fund

Required By

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 the State statute.

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

The 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 Utah Public Treasurers' Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. 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.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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, 2007, 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, 2007 the City had \$ 622,087 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, 2007, 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, 2007.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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<b>Requirement</b>	<b>Level of Compliance</b>
--------------------	----------------------------

***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 the 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)).

**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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**CITY OF DELTA, UTAH**  
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**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***

**Deposits – Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2007, the City’s custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2007
Deposits	Insured	\$ 200,000
Deposits	Uninsured and Uncollateralized	772,348
Total Depository Accounts		\$ 972,348

***Investments***

As of June 30, 2007 the government had the following investments and maturities:

	Fair Value	Investment Maturity in Years			
		Less Than 1	1-5	6-10	More Than 10
Investments in Public					
Treasuries'	\$ 969,851	\$ 969,851	\$ -	\$ -	\$ -
Treasury Bond	622,212			622,212	
Total Deposits		\$ 969,851	\$ -	\$ 622,212	\$ -

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit Risk** – The City follows the requirements of the Utah Money Management Act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasures’ Investment Fund

**CITY OF DELTA, UTAH**  
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(UPTIF), trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

**3.B. RESTRICTED ASSETS**

The amounts reported as restricted assets or cash, investments, and accrued interest held by the trustee bank on behalf of the various public trusts (Authorities) related to their required note payable accounts as described in Note 2.D, and amounts held in trust for customer utility meter deposits.

The restricted assets as of June 30, 2007, are as follows:

Type of Restricted Asset	Cash Incl. Time Deposits	Investments	Accrued Interest	Total
<b><i>Business Type Activities</i></b>				
None	\$ -	\$ -	\$ -	\$ -
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><i>Governmental Activities</i></b>				
Road Encroachment Fees	5,130	-	-	5,130
Debt Service	-	622,212	-	622,212
Class C Roads	342,970	-	-	342,970
Fire Department O&M	11,510	-	-	11,510
Library Trust	36,984	-	-	36,984
Runway Rehabilitation	14,855	-	-	14,855
Total	<u>411,449</u>	<u>622,212</u>	<u>-</u>	<u>1,033,661</u>
Grand Totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**3.C. ACCOUNTS RECEIVABLE**

Accounts receivable from business-type activities consist of utilities receivable from the water and sewer utilities. Accounts receivable from governmental activities consist of landfill billings and taxes receivable. Receivables detail at June 30, 2007, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Utility Billings:			
Landfill	\$ 18,892	\$ -	\$ 18,892
Water	-	73,905	73,905
Sewer	-	25,997	25,997
Other:			-
Taxes	182,690	-	182,690
Allowance for			-
Doubtful Accounts	-	-	-
Net Accounts Receivable	<u>\$ 201,582</u>	<u>\$ 99,902</u>	<u>\$ 301,484</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
<b>Governmental Activities</b>				
Land	449,664.00			449,664.00
Buildings	1,539,864.00	1.00		1,539,865.00
Other Improvements	850,949.00	6458		857,407.00
Equipment	1,016,239.00	48906.28		1,065,145.28
Infrastructure	9,707,411.00	50847.69		9,758,258.69
Totals at Historical Cost	13,564,127.00	106,212.97	-	13,670,339.97
Less Accumulated Depreciation				
Buildings	(612,903.00)	(38,297)		(651,199.64)
Other Improvements	(122,187.00)	(24,227)		(146,414.36)
Equipment	(875,356.00)	(58,734)		(934,090.47)
Total Accumulated Depreciation	(1,610,446.00)	(121,258.47)	-	(1,731,704.47)
Governmental Activities Capital Assets, NET	11,953,681.00	(15,045.50)	-	11,938,635.50
<b>Business-type Activities</b>				
Land	23,534.00			23,534.00
Buildings & System	37,097.00			37,097.00
Other Improvements	19,243.00			19,243.00
Machinery & Equipment	276,879.00		(26,000.00)	250,879.00
Vehicles	129,502.00			129,502.00
Utility Plant	1,846,465.00			1,846,465.00
Contributed Capital Assets	2,680,982.00			2,680,982.00
Water Rights	313,934.00	2,730.00		316,664.00
Total at Historical Cost	5,327,636.00	2,730.00	(26,000.00)	5,304,366.00
Less Accumulated Depreciation				
Buildings & System	(27,109.00)	(838.68)		(27,947.68)
Other Improvements	(13,235.00)			(13,235.00)
Machinery & Equipment	(205,223.00)	(29,144.80)	26,000.00	(208,367.80)
Vehicles	(81,707.00)	(14,506.29)		(96,213.29)
Utility Plant	(1,142,796.00)	(34,403.80)		(1,177,199.80)
Contributed Capital Assets	(1,514,269.00)	(51,605.70)		(1,565,874.70)
Total Accumulated Depreciation	(2,984,339.00)	(130,499.27)	26,000.00	(3,088,838.27)
Business-type Activities Capital Assets, NET	2,343,297.00	(127,769.27)	-	2,215,527.73

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Depreciation expense was charged to governmental activities as follows:

General government:

General government	\$ 630
Public Safety	346
Public Works	22,887
Parks and Public Property	<u>23,863</u>
Total depreciation expense	<u>\$ 47,726</u>

**3.E. ACCOUNTS PAYABLE**

Payables in the general fund and non-major governmental funds are composed of payables to vendors and accrued salaries and benefits. Payables of Utilities Enterprise Fund are composed of payables to vendors and accrued salaries and benefits.

**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, 2007, the governmental long-term debt of the financial reporting entity consisted of the following:

**General Obligation & Revenue Bonds**

Road Improvement Bond, Dated 1984 4.5%, (original amount \$1,300,000)	\$554,653.50
General Obligation Bonds, Dated 1999 3%, (original amount \$143,990)	122,224.00
Total General Long-Term Debt	<u>\$676,877.50</u>

***Business-type Activities:***

As of June 30, 2007, the City had no long-term debt payable in its proprietary finds.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

***Changes in Long-term Debt***

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

Type of Debt	Balance			Balance June 30, 2006
	July 1, 2006	Additions	Deductions	
Due Within One Year	\$ -	\$ -	\$ -	\$ -
Government-type Activities:				-
Notes Payable	681,356		(59,318)	622,038
Total Government Fund Debt	\$ 681,356	\$ -	\$ (59,318)	\$ 622,038

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, 2007, are as follows:

Year Ending June 30	Government-type Activities Notes Payable	
	Principal	Interest
2008	\$ 62,718	\$ 26,609
2009	65,225	23,891
2010	67,845	21,061
2011	70,583	18,113
2012-2016	323,215	41,622
2017-2021	32,452	2,868
Total	<u>\$ 622,038</u>	<u>\$ 134,164</u>

**3.G. INTERFUND TRANSACTIONS AND BALANCES**

***Operating Transfers***

Description	Transfers	Transfers
	Out	In
Road Bond Funding	\$ -	\$ 12,667
Municipal Airport Imp	-	5,000
General Fund	47,667	10,000
Water Fund	-	-
Sewer Fund	-	-
Class C transfer In	-	-
Capital Project Fund	-	20,000
	<u>\$ 47,667</u>	<u>\$ 47,667</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Administrative Charges Paid</u>	<u>Administrative Charges Received</u>
Audit Reimbursement - Sewer	\$ 2,500	\$ -
Audit Reimbursement - Water	3,000	-
Water Fund Office Rent	6,000	-
Admin reimbursement - Sewer	18,000	-
Admin reimbursement - Water	27,100	-
Water Fund Rent	-	6,000
Admin Reimb to General	-	27,100
Audit	-	3,000
Admin Reimb to General	-	18,000
Audit	-	2,500
Total	<u>\$ 56,600</u>	<u>\$ 56,600</u>

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 4,689	\$ 36,812
Capital Project Fund	-	-
Water Fund	36,956	-
Sewer Fund	-	4,833
Total	<u>\$ 41,645</u>	<u>\$ 41,645</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**3.H. FUND EQUITY**

Restricted Fund Equity

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Net Assets			
<i>Invested in Capital Assets, Net Related Debt</i>	\$ 11,289,999	\$ 2,227,454	\$ 13,517,452
Restricted for:			
Library Trust	36,983	-	36,983
Road Improvements	348,101	-	348,101
Debt Service	679,945	-	679,945
Fire Department	11,510	-	11,510
Unrestricted (Deficit)	<u>383,178</u>	<u>1,424,233</u>	<u>1,807,411</u>
Total Net Assets	<u>\$ 12,749,716</u>	<u>\$ 3,651,687</u>	<u>\$ 16,401,402</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**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, 11.590%. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City contributions to the various systems for the years ending June 30, 2007, 2006, and 2005 were; for the Noncontributory System \$62,718, \$56,087, and \$45,917. The contributions were equal to the required contributions for each year.

**401(k) Plan**

The employees of City also participate in a 401(k) deferred compensation plan. The amount of the employer contributions for the year ended June 30, 2007, 2006, and 2005 were \$16,829, \$15,729, and \$12,877, respectively.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**4.B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; 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's premiums. The City is subject to a minimal deduction for claims.

**4.C. 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.

***GOVERNMENT AUDITING STANDARDS REPORT***

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

Delta City  
76 North 200 West  
Delta, UT 84624

I have audited accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Delta, Utah, as of and for the year ended June 30, 2007, which collectively comprise the City of Delta, Utah's basic financial statements and have issued my report thereon dated December 6, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the City of Delta, Utah's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Delta, Utah's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness on the City of Delta, Utah's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the City of Delta, Utah's ability to initiate, authorize, record, process, or report financial data reliably in according with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the City of Delta, Utah's financial statements that is more than inconsequential will not be prevented or detected by the City of Delta, Utah's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Delta, Utah's internal control.

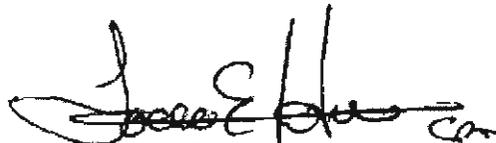
Our consideration of internal control over financial reporting was for the limited purpose

described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Delta, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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



Todd E. Holt, CPA

Delta, Utah  
December 6, 2007

# STATE COMPLIANCE REPORT

**INDEPENDENT AUDITORS' REPORT ON  
STATE LEGAL COMPLIANCE**

Delta City  
76 North 200 West  
Delta, UT 84624

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major funds, and the aggregate remaining fund information of the City of Delta, Utah, for the year ended June 30, 2007, and have issued my report thereon dated December 6, 2007. As part of our audit, we 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 major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2007. The City received the following no major assistance programs from the State of Utah:

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: *(However, these programs were subject to test work as part of the audit of the City of Delta's financial statements.)*

Utah State Community Library Enhancement Fund  
Utah State Library Services & Technology Act Grant  
Division of Forestry, Fire, & State Lands Grant  
Federal Weapons of Mass Destruction Grant  
OJJDP Title V Grant (Reconnecting Youth)

My audit also included test work of the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
B & C Roads

Other General Issues

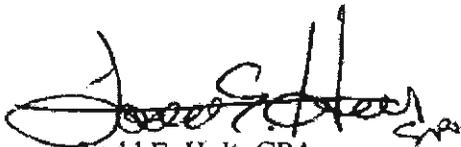
Statement of Fees Charged, Collected, & Disbursed

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

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

The results of my audit procedures disclosed no instances of noncompliance with requirements referred to above.

In my 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, 2007.



Todd E. Holt, CPA  
December 6, 2007

**DELTA CITY  
INDEPENDENT AUDITORS' REPORT IN  
ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*  
STATE COMPLIANCE REPORT  
MANAGEMENT LETTER  
JUNE 30, 2007**

**DELTA CITY  
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## ***CURRENT YEAR FINDINGS***

No current year findings

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***PRIOR YEAR FINDINGS***

**INTERNAL ACCOUNTING CONTROLS**

No prior year findings.

**STATE COMPLIANCE ISSUES**

No prior year finding.