

**CITY OF DELTA, UTAH  
INDEPENDENT AUDITORS' REPORT  
FINANCIAL STATEMENTS  
JUNE 30, 2008**

**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, 2008, 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, 2008, 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 22, 2008 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.

A handwritten signature in black ink, appearing to read "Todd E. Holt, CPA". The signature is stylized and includes a large, sweeping flourish at the beginning.

Todd E. Holt, CPA

Delta, Utah  
December 22, 2008

**DELTA CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

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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, 2008. 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, 2008 by \$18,125,748. Of this amount, unrestricted net assets of \$2,640,353 may be used to meet the City's ongoing obligations to citizens and creditors.
- ✦ The total net assets increased by \$1,735,856 over the prior year. Of this amount was an increase of \$2,154,006 associated with governmental activities and a decrease of \$418,151 with business-type activities.
- ✦ At the close of the current fiscal year, Delta City Corporation's governmental funds reported combined ending fund balances of \$1,406,154. Of this amount, \$294,038 is unreserved and available for spending. The remaining \$1,112,115 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 \$196,916 or 9.41% of current year revenues, which is in compliance with § 10-6-116(2) Utah Code Annotated, 1953, as amended.

**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, 2008, the City's assets exceeded its liabilities by \$18,125,748. The largest portion of the net assets, totaling  $\approx 79.61\%$  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, 2008 and 2007

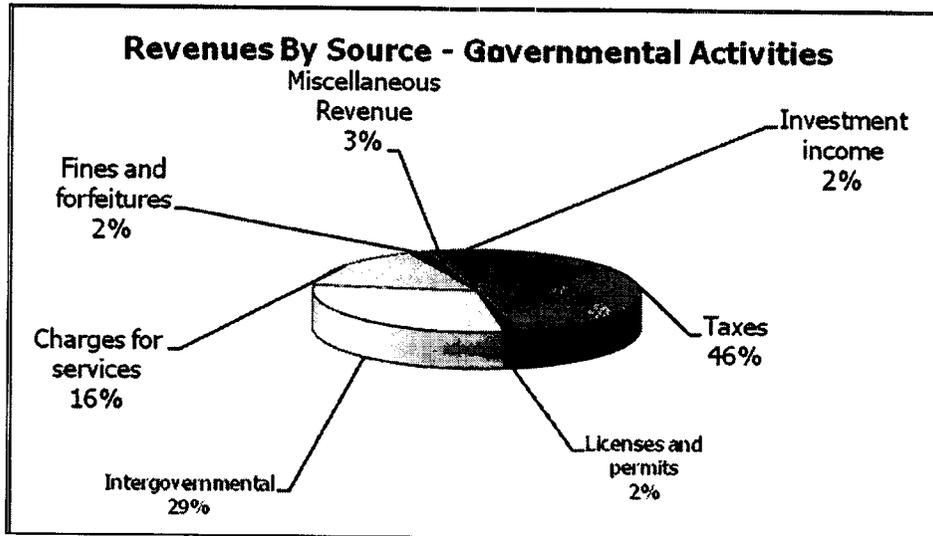
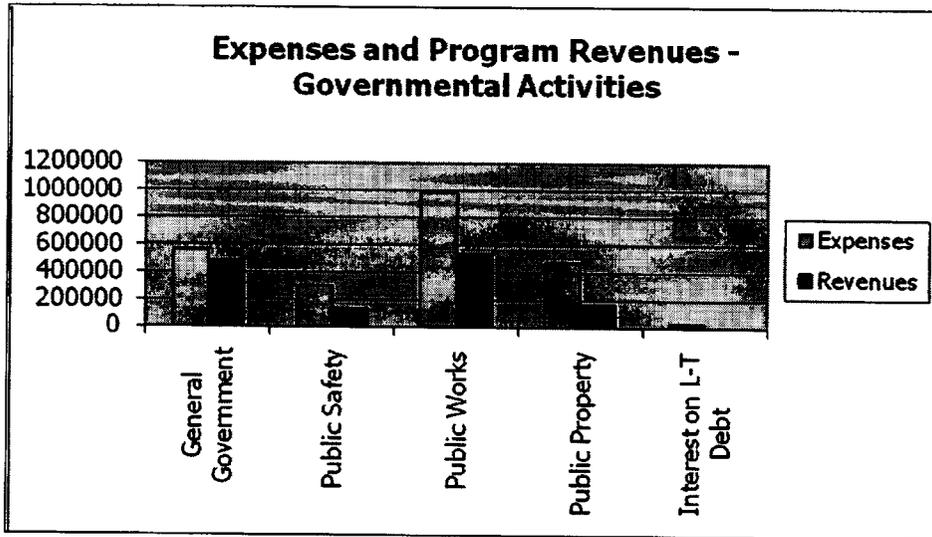
	Government Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	1,659,012	1,553,973	2,774,768	1,457,043	4,433,780	3,011,016
Capital assets	14,074,580	11,938,636	4,011,104	2,227,453	18,085,684	14,166,089
Total assets	15,733,592	13,492,609	6,785,872	3,684,496	22,519,464	17,177,105
Other liabilities	341,869	189,719	479,337	32,810	821,206	222,529
Long-term liabilities outstanding	499,511	564,684	3,072,953	-	3,572,464	564,684
Total liabilities	841,380	754,403	3,552,290	32,810	4,393,670	787,213
Net assets:						
Invested in capital assets, net of related debt	13,491,320	11,289,999	938,104	2,227,454	14,429,424	13,517,453
Restricted	1,055,971	1,088,049	-	-	1,055,971	1,088,049
Unrestricted	344,921	360,158	2,295,432	1,424,233	2,640,353	1,784,391
Total net assets	14,892,212	12,738,206	3,233,536	3,651,687	18,125,748	16,389,893

A portion of the net assets, totaling \$1,055,971, or  $\approx$  5.83% represents resources that are subject to restrictions on their use. The balance of unrestricted net assets of \$2,640,353, or  $\approx$  14.57% 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.

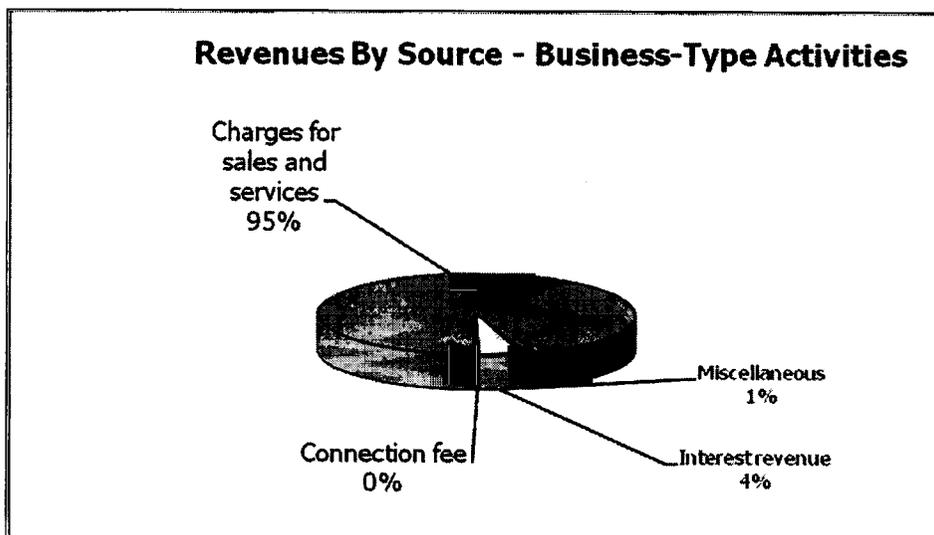
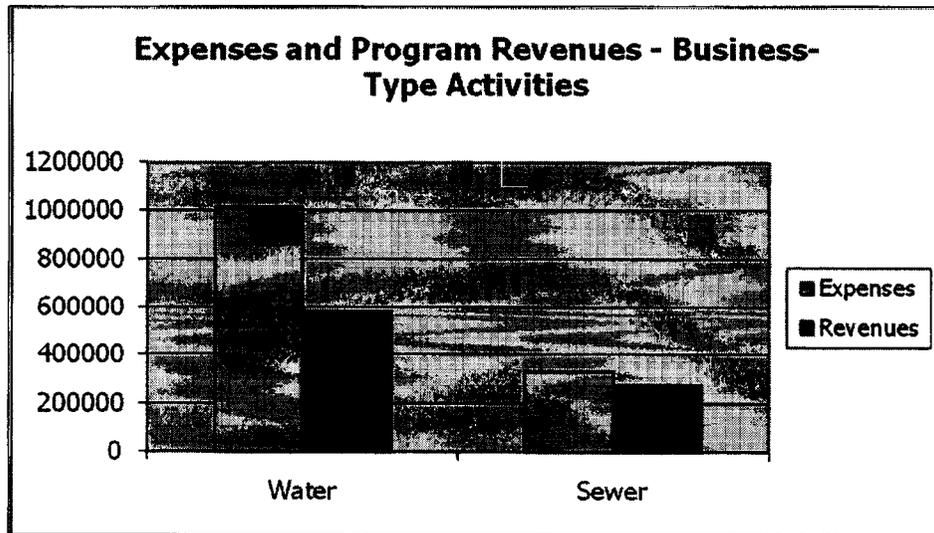
Changes in Net Assets  
June 30, 2008 and 2007

	Government Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for services	524,988	443,691	855,025	781,136	1,380,013	1,224,827
Operating grants and contributions	614,192	282,365	-	-	614,192	282,365
Capital grants and contributions	167,662	233,549	5,100	12,900	172,762	246,449
General revenues:						
Property taxes	370,831	354,998	-	-	370,831	354,998
Other taxes	838,534	820,473	-	-	838,534	820,473
Unrestricted investment earnings	64,257	88,595	59,989	54,552	124,246	143,147
Other	68,989	83,796	11,704	12,425	80,693	96,221
Total revenues	2,649,453	2,307,467	931,818	861,013	3,581,271	3,168,480
Expenses:						
General government	558,010	518,011	-	-	558,010	518,011
Public safety	300,159	377,764	-	-	300,159	377,764
Public health	-	-	-	-	-	-
Highways and public improvements	989,125	789,078	-	-	989,125	789,078
Parks and recreation	475,134	361,882	-	-	475,134	361,882
Interest on long-term debt	27,000	29,579	-	-	27,000	29,579
Water	-	-	1,016,669	435,822	1,016,669	435,822
Sewer	-	-	333,299	304,054	333,299	304,054
Total expenses	2,349,428	2,076,314	1,349,968	739,876	3,699,396	2,816,190
Increase in net assets before transfers	300,025	231,153	(418,150)	121,137	(118,125)	352,290
Transfers	-	-	-	-	-	-
Gain/loss on sale of assets	-	-	-	-	-	-
Increase in net assets	300,025	231,153	(418,150)	121,137	(118,125)	352,290
Net assets - beginning	14,592,186	12,529,961	3,651,686	3,530,549	18,243,872	16,060,510
Net assets - ending	14,892,211	12,761,114	3,233,536	3,651,686	18,125,747	16,412,800

**Governmental Activities** – Governmental activities increased the City’s net assets by \$300,025 or approximately 2.01%. The graphs presented below contain regular operating revenues only and do not reflect any effect of special one-time items or transfers.



**Business-Type Activities** – Business-type activities decreased the City's net assets by \$418,150 or approximately 12.93%. The graphs presented below contain regular operating revenues only and not the effects of special one-time items or transfers. Key elements contributing to the decrease in the business-type activities are as follows:



## 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, 2008 Delta City's governmental funds reported combined ending fund balances of \$1,406,154. Of this balance, \$294,038, or  $\approx$  20.91% is unreserved fund balance, which is available for spending at the discretion/designation of the government; this being \$65,708 for capital projects, \$31,414 for special revenue funds and \$196,916 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 57.33% 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, 2008 for this main fund was \$569,906. 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 \$38,585 and \$644,298 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 \$1,929,927; while the total net assets amounted to \$1,958,520, which included a \$376,722 decrease in net assets during the fiscal year. The unrestricted net assets of the Sewer Fund totaled \$365,505; while the total net assets amounted to \$1,275,016, which incorporated a \$41,427 decrease in net assets during the fiscal year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The initially adopted General Fund budget for fiscal year 2008 was in the amount of \$2,774,012 (\$2,054,055 net of budgeted use of fund balances). The budget was subsequently amended to \$2,829,191 (\$2,123,384 net of budgeted use of fund balances). This increase in the General Fund budget amounted to \$55,179. 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, 2008 amounted to \$18,085,684 (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.).

**Long-Term Debt** – At the end of the current fiscal year, the City has \$3,632,322 in outstanding bonded debt consisting of an excise tax revenue bond, general obligation bond and a new water revenue 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	\$ 466,915	\$	\$ 466,915
General Obligation Bonds	92,454		92,454
Water Revenue Bonds	<u>-0-</u>	<u>3,072,953</u>	<u>3,072,953</u>
 Total	 <u>\$ 559,369</u>	 <u>\$3,072,953</u>	 <u>\$3,632,322</u>

Delta City's bonded debt decreased by \$62,720 during the current fiscal year. 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 2008, in addition to the City maintaining payment of employee health insurance premiums, but note that for the third 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 2009 is \$2,846,724 (\$2,208,546 net of budgeted fund balances); \$17,533 more (\$85,162 less net of budgeted fund balances); than the final amended budget for fiscal year 2008.

**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, MMC, 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, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 553,821	\$ 2,401,482	\$ 2,955,303
Prepaid Items	2,769	-	2,769
Utility Billing Receivable	18,552	92,785	111,337
Other Receivable	186,468	-	186,468
Interest Receivable	24,305	-	24,305
Inventory	56,144	91,565	147,709
Restricted Assets:			
Cash and Cash Equivalents	419,324	-	419,324
Investments	586,565	-	586,565
Internal Balances	(188,936)	188,936	-
Capital Assets Not Being Depreciated			
Water Stock	-	321,464	321,464
Land	449,664	23,534	473,198
Capital Assets Being Depreciated (net)			
Building	1,703,188	3,615,248	5,318,436
Improvements Other Than Buildings	911,486	13,384	924,870
Equipment	1,251,983	37,474	1,289,457
Infrastructure	9,758,259	-	\$ 9,758,259
<b>Total Assets</b>	<b>15,733,592</b>	<b>6,785,873</b>	<b>22,519,465</b>
<b>Liabilities</b>			
Accrued Liabilities	252,753	462,655	715,407
Deferred Revenue	-	16,682	16,682
Bond Interest Payable	23,891	-	23,891
Revenue Bonds Payable - Due Within in One Year	65,225	102,000	167,225
Revenue Bonds Payable - Due in More Than One Year	494,144	2,970,953	3,465,097
Compensated Absences	5,367	-	5,367
<b>Total Liabilities</b>	<b>841,380</b>	<b>3,552,290</b>	<b>4,393,670</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	13,491,320	938,104	14,429,424
Restricted for:			
Library Trust	38,683	-	38,683
Road Improvements	329,624	-	329,624
Debt Service	644,298	-	644,298
Fire Department	43,366	-	43,366
Unrestricted (Deficit)	344,921	2,295,432	2,640,353
<b>Total Net Assets</b>	<b>\$ 14,892,212</b>	<b>\$ 3,233,536</b>	<b>\$ 18,125,748</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, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 558,010	\$ 128,379	349,586	-	\$ (80,045)	-	\$ (80,045)
Public Safety	300,159	58,606	73,520	-	(168,032)	-	(168,032)
Public Works	989,125	202,290	169,803	160,812	(456,220)	-	(456,220)
Parks, Recreation & Public Property	475,134	135,712	21,283	6,850	(311,289)	-	(311,289)
Interest on Long-Term Debt	27,000	-	-	-	(27,000)	-	(27,000)
<b>Total Governmental Activities</b>	<b>2,349,428</b>	<b>524,988</b>	<b>614,192</b>	<b>167,662</b>	<b>(1,042,586)</b>	<b>-</b>	<b>(1,042,586)</b>
Business-Type Activities:							
Water	1,016,669	581,277	-	2,700	-	\$ (432,692)	(432,692)
Sewer	333,299	273,748	-	2,400	-	(57,151)	(57,151)
<b>Total Business-Type Activities</b>	<b>1,349,968</b>	<b>855,025</b>	<b>-</b>	<b>5,100</b>	<b>-</b>	<b>(489,843)</b>	<b>(489,843)</b>
<b>Total Primary Government</b>	<b>\$ 3,699,395</b>	<b>\$ 1,380,013</b>	<b>\$ 614,192</b>	<b>\$ 172,762</b>	<b>(1,042,586)</b>	<b>(489,843)</b>	<b>(1,532,428)</b>
<b>General Revenues</b>							
Taxes:							
Property Taxes					370,831		370,831
Sales Taxes					659,071		659,071
Franchise Taxes					179,463		179,463
Unrestricted Investment Earnings					64,257	59,989	124,246
Miscellaneous					68,989	11,704	80,693
Gain/(Loss) on Sale of Fixed Assets					-	-	-
<b>Total General Revenues and Transfers</b>					<b>1,342,611</b>	<b>71,693</b>	<b>1,414,304</b>
<b>Change in Net Assets</b>					<b>300,025</b>	<b>(418,149)</b>	<b>(118,124)</b>
<b>Net Assets Beginning of Year - (See Note 3)</b>					<b>14,592,186</b>	<b>3,651,686</b>	<b>18,243,872</b>
<b>Net Assets End of Year</b>					<b>\$ 14,892,211</b>	<b>\$ 3,233,537</b>	<b>\$ 18,125,748</b>

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

**CITY OF DELTA, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	General	Streets & Drainage	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 444,888	\$ 10,512	33,429	\$ 64,992	\$ 553,821
Prepaid Expenses	2,769	-	-	-	2,769
Receivables (net)					
Utility Billings	18,552	-	-	9,295	27,847
Other	177,173	-	-	-	177,173
Due From Other Funds	55,682	-	-	15,000	70,682
Interest Receivable	-	-	24,305	-	24,305
Inventory	-	28,072	-	28,072	56,144
Restricted Cash and Cash Equivalents	372,990	-	-	46,334	419,324
Restricted Investments	-	-	586,565	-	586,565
<b>Total Assets</b>	<b>\$ 1,072,054</b>	<b>\$ 38,584</b>	<b>\$ 644,298</b>	<b>\$ 163,694</b>	<b>\$ 1,918,630</b>
<b>Liabilities</b>					
Due To Other Funds	249,291	-	-	10,328	259,619
Accrued Liabilities	252,753	-	-	-	252,753
Deferred Revenue - Customer Deposits	105	-	-	-	105
<b>Total Liabilities</b>	<b>502,149</b>	<b>-</b>	<b>-</b>	<b>10,328</b>	<b>512,476</b>
<b>Fund Balances</b>					
Reserved for:					-
Library Trust	-	-	-	38,683	38,683
Inventories	-	28,072	-	28,072	56,144
Road Improvements	329,624	-	-	-	329,624
Fire Department	43,366	-	-	-	43,366
Debt Service Fund	-	-	644,298	-	644,298
Unreserved Reported In:					
General Fund	196,916	-	-	-	196,916
Special Revenue Funds	-	-	-	31,414	31,414
Capital Projects Funds	-	10,512	-	55,196	65,709
<b>Total Fund Balances (Deficits)</b>	<b>569,905</b>	<b>38,584</b>	<b>644,298</b>	<b>153,366</b>	<b>1,406,154</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,072,054</b>	<b>\$ 38,584</b>	<b>\$ 644,298</b>	<b>\$ 163,694</b>	<b>\$ 1,918,630</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, 2008**

<b>Total Fund Balances - Governmental Funds Types</b>	<b>\$ 1,406,154</b>
<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	14,074,580
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(588,627)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 14,892,212</u></b>

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

**CITY OF DELTA, UTAH**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	General	Streets & Drainage	Debt Services	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$1,199,382	\$ -	\$9,984	\$ -	\$1,209,366
Licenses and Permits	42,116	-	-	-	42,116
Intergovernmental	271,456	160,812	-	349,586	781,854
Charges for Services	435,358	-	-	-	435,358
Fines and Forfeitures	47,514	-	-	-	47,514
Miscellaneous Revenue	68,989	-	-	-	68,989
Investment Income (Loss)	27,284	491	31,346	5,136	64,257
<b>Total Revenues</b>	<b>2,092,098</b>	<b>161,303</b>	<b>41,330</b>	<b>354,722</b>	<b>2,649,453</b>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	558,010	-	-	-	558,010
Public Safety	300,159	-	-	-	300,159
Highways and Public Improvements	807,214	144,320	-	355,426	1,306,960
Parks, Recreation, & Public Property	475,134	-	-	-	475,134
Capital Outlay	-	13,704	-	-	13,704
<b>Debt Service:</b>					
Principal Retirement	-	-	62,720	-	62,720
Interest and Fiscal Charges	-	-	27,000	-	27,000
<b>Total Expenditures</b>	<b>2,140,517</b>	<b>158,024</b>	<b>89,720</b>	<b>355,426</b>	<b>2,743,687</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(48,419)</b>	<b>3,279</b>	<b>(48,390)</b>	<b>(704)</b>	<b>(94,234)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	12,744	15,000	27,744
Transfers Out	(27,744)	-	-	-	(27,744)
<b>Total Other Financing Sources (Uses)</b>	<b>(27,744)</b>	<b>-</b>	<b>12,744</b>	<b>15,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(76,162)</b>	<b>3,279</b>	<b>(35,647)</b>	<b>14,296</b>	<b>(94,234)</b>
<b>Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)</b>	<b>646,068</b>	<b>35,306</b>	<b>679,945</b>	<b>139,070</b>	<b>1,500,389</b>
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 569,906</b>	<b>\$ 38,585</b>	<b>\$ 644,298</b>	<b>\$ 153,366</b>	<b>\$ 1,406,155</b>

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

**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, 2008**

**Net Change in Fund Balances - Total Governmental Funds** \$ (94,234)

**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.

331,539

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

62,720

**Change in Net Assets of Governmental Activities**

\$ 300,025

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
<b>Taxes:</b>				
Ad Valorem Property Taxes	\$ 275,875	\$ 275,875	\$270,221	\$ (5,654)
Fee-in-lieu of Taxes	65,000	65,000	76,922	11,922
Prior Years' Delinquent Property Taxes	7,000	11,811	13,704	1,893
General Sales Taxes	590,000	605,000	617,304	12,304
Municipal Energy Fees	34,750	34,750	41,767	7,017
Franchise Fees	140,000	160,000	179,463	19,463
Total Taxes	<u>1,112,625</u>	<u>1,152,436</u>	<u>1,199,382</u>	<u>46,946</u>
<b>Licenses and Permits</b>				
Business Licenses	22,000	22,060	22,535	475
Building Permits	20,000	14,556	17,655	3,099
Animal Licenses and Fees	2,500	1,700	1,926	226
Total Licenses and Permits	<u>44,500</u>	<u>38,316</u>	<u>42,116</u>	<u>3,800</u>
<b>Intergovernmental</b>				
Class "C" Road Funds	141,161	154,429	169,803	15,374
State Liquor Funds	6,000	7,052	7,052	(0)
Fire Department O&M - MCFSD	58,500	58,500	58,500	-
State Library Grant	5,795	6,283	6,283	-
LSCA Technology Grant	19,500	19,500	6,850	(12,650)
Federal Weapons of Mass Destruction	-	-	-	-
Title V Grant	30,000	30,000	7,969	(22,031)
FEMA Grant	-	-	-	-
Civic Center PCIFB/Other Entities Participation	13,200	15,000	15,000	-
Civic Center Great Basin/Topaz/DUP Sources (Architect)	45,000	45,000	-	(45,000)
Total Intergovernmental Revenue	<u>319,156</u>	<u>335,764</u>	<u>271,456</u>	<u>(64,308)</u>
<b>Charges for Services</b>				
Wildland Fire Protection Reimbursement	10,000	9,914	9,914	-
Fire Truck Service Fees	2,000	34	-	(34)
Crosswalk Gaurds Reimbursement	8,475	8,850	8,805	(45)
Subdivision Improvement Fees	-	-	34	34
Municipal Lease & Rental Fess	17,131	19,480	23,169	3,689
Airport Fuel Taxes	350	568	892	324
Irrigation/Ditch Tax & Rental	4,100	4,100	4,950	850
Zoning and Subdivision Fees	200	595	595	-
Millard County Landfill Use Fees	193,752	199,000	197,340	(1,660)
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	21,000	21,000	21,000	-
Admin Reimbursement - Water	30,000	30,000	30,000	-
Airport Avaition Fuel Sales	153,720	153,720	127,159	(26,561)
Total Charges for Services	<u>452,228</u>	<u>458,761</u>	<u>435,358</u>	<u>(23,403)</u>

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

<b>Fines and Forfeitures</b>				
Court Fines	32,000	32,000	34,541	2,541
Small Claims Fees	1,000	1,760	1,850	90
Library Fines and Fees	7,500	7,500	7,661	161
Motor Carrier Fees	2,500	2,500	3,461	961
<b>Total Fines and Forfeitures</b>	<b>43,000</b>	<b>43,760</b>	<b>47,514</b>	<b>3,754</b>
<b>Miscellaneous</b>				
Health Ins Reimbursement - Firemen	5,496	2,290	2,290	(0)
Health Ins Reimbursement - Non Firemen	14,814	4,887	4,887	(0)
Interest	19,585	27,588	27,284	(304)
Utilities - State Bookmobile	600	600	600	-
Delta Area Youth Council	-	-	-	-
West Millard Youth Court	900	700	782	82
Miscellaneous	41,951	55,282	60,430	5,148
<b>Total Miscellaneous</b>	<b>83,346</b>	<b>91,347</b>	<b>96,273</b>	<b>4,926</b>
<b>Total Revenues</b>	<b>\$2,054,855</b>	<b>\$2,120,384</b>	<b>\$2,092,098</b>	<b>(\$28,286)</b>
<b>Expenditures</b>				
<b>General Government:</b>				
Mayor & Council	175,606	182,967	102,290	80,677
Judicial	52,597	52,597	47,493	5,104
Treasurer	62,103	62,103	61,028	1,075
Recorder/Finance Director	197,136	187,190	176,894	10,296
Attorney	109,558	78,791	67,427	11,364
City Hall	137,262	116,181	102,878	13,303
<b>Total General Government</b>	<b>734,262</b>	<b>679,829</b>	<b>558,010</b>	<b>121,819</b>
<b>Public Safety:</b>				
Law Enforcement	220,911	226,018	216,967	9,051
Animal Control	24,026	22,786	20,532	2,254
Building Inspection	12,300	12,300	6,775	5,525
Fire Administration	87,496	79,900	55,885	24,015
<b>Total Public Safety</b>	<b>344,733</b>	<b>341,004</b>	<b>300,159</b>	<b>40,845</b>
<b>Highways and Public Improvements:</b>				
Streets	905,377	934,905	612,061	322,844
County Landfill	188,626	200,500	192,047	8,453
Irrigation System	9,916	10,084	3,106	6,978
<b>Total Highways and Public Improvements</b>	<b>1,103,919</b>	<b>1,145,489</b>	<b>807,214</b>	<b>338,275</b>
<b>Parks, Recreation and Public Property:</b>				
Parks	112,048	112,048	71,722	40,326
Library	161,453	161,453	139,167	22,286
Celebrations	48,172	54,866	42,345	12,521
Municipal Airport	241,759	266,759	221,900	44,859
<b>Total Parks, Recreation and Public Property</b>	<b>563,432</b>	<b>595,126</b>	<b>475,134</b>	<b>119,992</b>
<b>Total Expenditures</b>	<b>2,746,346</b>	<b>2,761,448</b>	<b>2,140,517</b>	<b>620,931</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(691,491)</b>	<b>(641,064)</b>	<b>(48,419)</b>	<b>592,645</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	691,491	641,064	-	(641,064)
Transfers Out	-	-	(27,744)	(27,744)
<b>Total Other Financing Sources (Uses)</b>	<b>691,491</b>	<b>641,064</b>	<b>(27,744)</b>	<b>(668,808)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>(76,162)</b>	<b>(76,162)</b>
<b>Fund Balance Beginning of Year</b>	<b>646,068</b>	<b>646,068</b>	<b>646,068</b>	<b>-</b>
<b>Fund Balance End of Year</b>	<b>\$ 646,068</b>	<b>\$ 646,068</b>	<b>\$ 569,906</b>	<b>\$ (76,162)</b>

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, 2008**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash	\$ 2,067,152	\$ 334,330	\$ 2,401,482
Receivable (Net) - Utilities	66,931	25,854	92,785
Prepaid Expenditures	-	-	-
Due From Other Funds	223,544	10,747	234,291
Inventory	79,931	\$ 11,634	91,565
<b>Total Current Assets</b>	<b>2,437,558</b>	<b>382,565</b>	<b>2,820,123</b>
<b>Noncurrent Assets:</b>			
Water Stock	321,464	-	321,464
Land	11,767	11,767	23,534
Equipment	178,988	227,392	406,380
Less Accumulated Depreciation	(163,672)	(205,235)	(368,907)
Net Equipment	15,317	22,157	37,474
Buildings	4,090,167	2,392,600	6,482,767
Less Accumulated Depreciation	(1,344,030)	(1,523,488)	(2,867,518)
Net Buildings	2,746,137	869,112	3,615,248
Improvements	15,772	15,771	31,543
Less Accumulated Depreciation	(8,863)	(9,295)	(18,159)
Net Improvements	6,909	6,476	13,384
<b>Total Noncurrent Assets</b>	<b>3,101,593</b>	<b>909,511</b>	<b>4,011,104</b>
<b>Total Assets</b>	<b>5,539,151</b>	<b>1,292,076</b>	<b>6,831,228</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Due To Other Funds	45,355	-	45,355
Accrued Liabilities	445,595	17,060	462,655
Deferred Revenue - Customer Deposits	16,682	-	16,682
Water Bond Payable Current Portion	102,000	-	102,000
<b>Total Current Liabilities</b>	<b>609,631</b>	<b>17,060</b>	<b>626,691</b>
<b>Long Term Liabilities</b>			
Water Bond Payable	3,072,953	0	3,072,953
Less: Current Portion LT Debt	(102,000)	0	(\$ 102,000)
<b>Total Long Term Liabilities</b>	<b>2,970,953</b>	<b></b>	<b>2,970,953</b>
<b>Total Liabilities</b>	<b>3,580,585</b>	<b>17,060</b>	<b>3,597,644</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	28,593	909,511	938,104
Unrestricted	1,929,927	365,505	2,295,432
<b>Total Net Assets</b>	<b>\$ 1,958,520</b>	<b>\$ 1,275,016</b>	<b>\$ 3,233,536</b>

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, 2008**

	<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	\$ 581,277	\$ 273,748	\$ 855,025
Miscellaneous	10,279	1,425	11,704
Total Operating Revenues	<u>591,556</u>	<u>275,173</u>	<u>866,729</u>
<b>Operating Expenses</b>			
Employee Salaries	113,867	104,719	218,585
Employee Benefits	58,300	63,254	121,553
Professional Services	20,096	4,071	24,167
Office Supplies	14,278	1,501	15,780
Materials and Supplies	18,005	14,104	32,109
Utilities	45,420	8,878	54,298
Telephone	2,653	2,218	4,871
Repairs & Maintenance	571,434	21,335	592,769
Depreciation	111,702	73,422	185,124
Bad Debts	994	248	1,242
Travel and Training	360	0	360
Insurance	15,560	10,550	26,110
Administrative Charges	30,000	21,000	51,000
Rental	14,000	8,000	22,000
Total Operating Expenses	<u>1,016,669</u>	<u>333,299</u>	<u>1,349,968</u>
Operating Income (Loss)	<u>(425,113)</u>	<u>(58,126)</u>	<u>(483,238)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Revenue	45,691	14,299	59,989
Connection Fees	2,700	2,400	5,100
Total Non-Operating Revenues (Expenses)	<u>48,391</u>	<u>16,699</u>	<u>65,089</u>
Income (Loss)	(376,722)	(41,427)	(418,149)
Change in Net Assets	(376,722)	(41,427)	(418,149)
Net Assets Beginning of Year - Restated (See Note 3)	<u>2,335,242</u>	<u>1,316,443</u>	<u>3,651,685</u>
Net Assets End of Year	<u>\$ 1,958,520</u>	<u>\$ 1,275,016</u>	<u>\$ 3,233,536</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, 2008**

	<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	\$ 589,050	\$ 273,891	\$ 862,941
Miscellaneous Receipts	10,279	1,425	11,704
Payments to Suppliers	(909,072)	(91,501)	(1,000,573)
Payments to Employees	258,427	(152,838)	105,589
Net Cash Provided by (Used in) Operating Activities	<u>(51,316)</u>	<u>30,977</u>	<u>(20,339)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of Capital Assets	(1,917,272)	(6,149)	(1,923,421)
Connection Fees Collected	2,700	2,400	5,100
Water Bond Preceeds	3,073,000	-	3,073,000
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>1,158,428</u>	<u>(3,749)</u>	<u>1,154,679</u>
<b>Cash Flows from Investing Activities</b>			
Interest and Dividends Received	45,691	14,299	59,989
Net Increase (Decrease) in Cash and Cash Equivalents	1,152,802	41,526	1,194,329
Cash and Cash Equivalents Beginning of Year	914,350	292,804	1,207,154
Cash and Cash Equivalents End of Year	<u>\$ 2,067,152</u>	<u>\$ 334,330</u>	<u>\$ 2,401,483</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, 2008**

	<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)	\$ (425,113)	\$ (58,126)	\$ (483,238)
Adjustments:			
Depreciation	111,702	73,422	185,124
(Increase) Decrease in Accounts Receivable	6,974	143	7,117
(Increase) Decrease in Prepaid Expenditures	18,775	13,211	31,986
(Increase) Decrease in Due From Other Funds	(186,588)	(10,747)	(197,335)
(Increase) Decrease in Inventories	(8,459)	2,772	(5,687)
(Increase) Decrease in Due To Other Funds	-	(4,833)	(4,833)
Increase (Decrease) in Accrued Liabilities	430,593	15,135	445,728
Increase (Decrease) in Customer Deposits	799	-	799
Net Cash Provided by (Used in) Operating Activities	<u>\$ (51,316)</u>	<u>\$ 30,977</u>	<u>\$ (20,339)</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, 2008**

	Special Revenue Fund		Permanent Fund		Capital Projects Funds			Total Nonmajor Governmental Funds
	Street Lighting		Library Trust	Streets and Drainage	Airport Improvements	Complex Renovation		
<b>Assets</b>								
Cash and Cash Equivalents	\$ 31,414	\$ -	\$ -	\$ 10,512	\$ -	\$ 23,066	\$ 64,992	
Cash and Cash Equivalents-Restricted	-	38,683	-	-	7,651	-	46,334	
Accounts Receivable	-	-	-	-	9,295	-	9,295	
Due From Other Funds	-	-	-	-	15,000	-	15,000	
Inventory	-	-	-	28,072	-	-	28,072	
<b>Total Assets</b>	<b>\$ 31,414</b>	<b>\$ 38,683</b>	<b>\$ 38,584</b>	<b>\$ 38,584</b>	<b>\$ 31,946</b>	<b>\$ 23,066</b>	<b>\$ 163,694</b>	
<b>Liabilities</b>								
Due To other Funds	-	-	-	-	10,328	-	10,328	
Accrued Liabilities	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,328</b>	<b>0</b>	<b>10,328</b>	
<b>Fund Balances</b>								
Reserved for:								
Library Trust	-	38,683	-	-	-	-	38,683	
Inventories	-	-	-	28,072	-	-	28,072	
Undesignated (Deficit), Reported in:								
Special Revenue Funds	31,414	-	-	-	-	-	31,414	
Capital Projects Funds	-	-	-	10,512	21,618	23,066	55,196	
<b>Total Fund Balances (Deficits)</b>	<b>31,414</b>	<b>38,683</b>	<b>38,584</b>	<b>38,584</b>	<b>21,618</b>	<b>23,066</b>	<b>153,366</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 31,414</b>	<b>\$ 38,683</b>	<b>\$ 38,584</b>	<b>\$ 38,584</b>	<b>\$ 31,946</b>	<b>\$ 23,066</b>	<b>\$ 163,694</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, 2008**

	Special Revenue Fund	Permanent Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
			Street Lighting	Equipment Acquisition	Streets and Drainage Improvements	
<b>Revenues</b>						
Investment Earnings	1,381	1,700	-	491	551	1,014
Intergovernmental Revenue	-	-	-	160,812	188,774	-
<b>Total Revenues</b>	<b>1,381</b>	<b>1,700</b>	<b>-</b>	<b>161,303</b>	<b>189,325</b>	<b>1,014</b>
<b>Expenditures</b>						
Highways and Public Improvements	-	-	-	158,024	197,402	-
Capital Outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158,024</b>	<b>197,402</b>	<b>-</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,381</i>	<i>1,700</i>	<i>-</i>	<i>3,279</i>	<i>(8,077)</i>	<i>1,014</i>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	-	15,000	-
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,381</b>	<b>1,700</b>	<b>-</b>	<b>3,279</b>	<b>6,923</b>	<b>1,014</b>
<b>Fund Balances (Deficits) Beginning of Year - Restated (See Note 3)</b>	<b>30,033</b>	<b>36,983</b>	<b>-</b>	<b>35,306</b>	<b>14,695</b>	<b>22,052</b>
<b>Fund Balances (Deficits) End of Year</b>	<b>\$ 31,414</b>	<b>\$ 38,683</b>	<b>\$ -</b>	<b>\$ 38,584</b>	<b>\$ 21,618</b>	<b>\$ 23,066</b>

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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**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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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.

**CITY OF DELTA, UTAH**  
**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.
<b>Debt Service:</b>	
General Obligation Bond	Accounts for the payment of principal and interest on the City's long-term debt.
Capital Projects Fund	
<b>Proprietary Fund:</b>	
Water and Sewer	Accounts for revenues and expenditures of the water on the sewer utilities.
<b><i>Nonmajor:</i></b>	
<b>Capital Project Fund:</b>	
Equipment Acquisition, Streets & Drainage, Airport Improvements, and Complex Renovation	Accounts for revenues and expenditures on capital projects.
<b>Special Revenue Fund</b>	
Street Lighting	Accounts for revenues and expenditures for funds such as redevelopment agencies.
<b>Permanent Fund</b>	
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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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.

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

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-

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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.

**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

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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30 of each year. Property taxes are collected by the Millard County Treasurer and remitted to the City shortly after collection.

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

***Operating Revenues and Expenses***

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

***Expenditures/Expenses***

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

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

Governmental Funds—By Character:	Current (further classified by function)
Debt Service	
Capital Outlay	

Proprietary Fund—By Operating and Non-operating

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

***Interfund Transfers***

Permanent 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.

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**2.A. FUND ACCOUNTING REQUIREMENTS**

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

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

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by 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  
 FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008, the City complied, in all material respects, with these revenue restrictions.

**2.D. DEBT RESTRICTIONS AND COVENANTS**

***General Obligation Debt***

No debt in excel 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, 2008 the City had 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, 2008, 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, 2008.

**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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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 and investments for the local government are governed by the Utah Money Management Act (Utah Code, Section 51, Chapter 7, "the Act") and by the rules of the Utah Money Management Council ("Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

***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, 2008, the City's custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2008
Deposits	Insured	\$ 200,000
Deposits	Uninsured and Uncollateralized	1,411,755
Total Depository Accounts		\$ 1,611,755

***Investments***

As of June 30, 2008 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'	\$1,153,308	\$ 1,153,308	\$ -		\$ -
Treasury Bond	566,314	566,314.00			
Total Deposits		\$ 1,719,622	\$ -	\$ -	\$ -

***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

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

(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, 2008, are as follows:

Type of Restricted Asset	Cash Incl.	Time Deposits	Investments	Accrued Interest	Total
<b><i>Business Type Activities</i></b>					
None	\$	-	\$ -	\$ -	\$ -
Total	<hr/>				
<b><i>Governmental Activities</i></b>					
Road Encroachment Fees		4,324	-	-	4,324
Debt Service		-	566,314	-	566,314
Class C Roads		325,300	-	-	325,300
Fire Department O&M		43,366	-	-	43,366
Library Trust		38,683	-	-	38,683
Runway Rehabilitation		7,651	-	-	7,651
Total	<hr/>				
Grand Totals	<hr/>				
		419,324	566,314	-	985,638
		419,324	566,314	-	985,638

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Utility Billings:			
Landfill	\$ 18,552	\$ -	\$ 18,552
Water	-	66,931	66,931
Sewer	-	25,854	25,854
Other:			-
Taxes	177,073	-	177,073
Allowance for			-
Doubtful Accounts	-	-	-
Net Accounts Receivable	<u>\$ 195,625</u>	<u>\$ 92,785</u>	<u>\$ 288,410</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**3.D. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance at July 1, 2007	Additions	Disposals	Balance at June 30, 2008
<b>Governmental Activities</b>				
Land	449,664.00	-	-	449,664.00
Buildings	1,539,865.00	163,323.00	-	1,703,188.00
Other Improvements	857,407.00	54,079.00	-	911,486.00
Machinery & Equipment	1,065,145.00	114,137.00	-	1,179,282.00
Infrastructure	9,758,259.00	-	-	9,758,259.00
Totals at Historical Cost	13,670,340.00	331,539.00	-	14,001,879.00
Less Accumulated Depreciation				
Buildings	(651,200.00)	(41,144.00)	-	(692,344.00)
Other Improvements	(146,414.00)	(25,788.00)	-	(172,202.00)
Machinery & Equipment	(934,090.00)	(73,733.00)	-	(1,007,823.00)
Total Accumulated Depreciation	(1,731,704.00)	(140,665.00)	-	(1,872,369.00)
Governmental Activities Capital Assets, net	11,938,636.00	190,874.00	-	12,129,510.00
<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	12,300.00	-	31,543.00
Machinery & Equipment	250,879.00	-	-	250,879.00
Vehicles	129,502.00	-	-	129,502.00
Utility Plant	1,846,465.00	1,944,223.00	-	3,790,688.00
Contributed Capital Assets	2,680,982.00	-	-	2,680,982.00
Water Rights	316,664.00	4,800.00	-	321,464.00
Total at Historical Cost	5,304,366.00	1,961,323.00	-	7,265,689.00
Less Accumulated Depreciation				
Buildings & System	(27,948.00)	(838.58)	-	(28,786.58)
Other Improvements	(13,235.00)	(4,922.00)	-	(18,157.00)
Machinery & Equipment	(208,368.00)	(25,105.00)	-	(233,473.00)
Vehicles	(96,213.00)	(13,221.00)	-	(109,434.00)
Utility Plant	(1,177,200.00)	(75,272.00)	-	(1,252,472.00)
Contributed Capital Assets	(1,565,875.00)	-	-	(1,565,875.00)
Total Accumulated Depreciation	(3,088,839.00)	(119,358.58)	-	(3,208,197.58)
Business-type Activities Capital Assets, net	2,215,527.00	1,841,964.42	-	4,057,491.42

**CITY OF DELTA, UTAH  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

Depreciation expense was charged to governmental activities as follows:

General government:	
General government	\$ 140,664
Public Safety	-
Public Works	165,740
Parks and Public Property	-
Total depreciation expense	<u>\$ 306,404</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, 2008, the governmental long-term debt of the financial reporting entity consisted of the following:

<b>General Obligation &amp; Revenue Bonds</b>	
Road Improvement Bond, Dated 1984 4.5%, (original amount \$1,300,000)	\$466,915.00
General Obligation Bonds, Dated 1999 3%, (original amount \$143,990)	92,454.00
Total General Long-Term Debt	<u>\$559,369.00</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

***Business-type Activities:***

As of June 30, 2008, the City's long-term debt payable in its proprietary finds consisted of the following:

**Business-Type Activities**

Water Revenue Bond, Dated 2007  
 0.0%, (original amount \$3,072,000) \$3,072,953.00

Total Business Long-Term Debt \$3,072,953.00

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

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

Type of Debt	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Due Within One Year	\$ -	\$ -	\$ -	\$ -
Government-type Activities:				-
Notes Payable	688,539		(129,219)	559,320
Total Government Fund Debt	\$ 688,539	\$ -	\$(129,219)	\$ 559,320

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, 2008, are as follows:

Year Ending June 30	Government-type Activities Notes Payable	
	Principal	Interest
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>\$ 559,320</u>	<u>\$ 107,555</u>

**CITY OF DELTA, UTAH**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

*Operating Transfers*

Description	Transfers Out	Transfers In
Road Bond Funding	\$ 12,744	
Municipal Airport Imp General Fund	15,000	
Water Fund	-	-
Sewer Fund	-	-
Class C transfer In	-	12,744
Runway Rehabilitation	-	15,000
	<u>\$ 27,744</u>	<u>\$ 27,744</u>

	Administrative Charges Paid	Administrative Charges Received
Audit Reimbursement - Sewer	\$ 2,500	\$ -
Audit Reimbursement - Water	3,000	-
Water Fund Office Rent		-
Admin reimbursement - Sewer	21,000	-
Admin reimbursement - Water	30,000	-
Water Fund Rent	-	
Admin Reimb to General	-	30,000
Audit	-	3,000
Admin Reimb to General	-	21,000
Audit	-	2,500
Total	<u>\$ 56,500</u>	<u>\$ 56,500</u>

	Receivable	Payable
General Fund	\$ 55,682	\$ 249,291
Capital Project Fund	15,000	10,327
Water Fund	223,544	45,355
Sewer Fund	10,747	
Total	<u>\$ 304,973</u>	<u>\$ 304,973</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.

**CITY OF DELTA, UTAH  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3.H. FUND EQUITY**

Restricted Fund Equity

	Governmental Activities	Business-Type Activities	Totals
Net Assets			
Invested in Capital Assets, Net Related Debt	\$ 13,472,202	\$ 938,104	\$ 14,410,306
Restricted for:			
Library Trust	38,683	-	38,683
Road Improvements	329,624	-	329,624
Debt Service	644,298	-	644,298
Fire Department	43,366	-	43,366
Unrestricted (Deficit)	294,038	2,295,342	2,589,380
<b>Total Net Assets</b>	<b>\$ 14,822,211</b>	<b>\$ 3,233,446</b>	<b>\$ 18,055,657</b>

**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.

**CITY OF DELTA, UTAH  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Funding Policy.** The City is required to contribute a percentage of covered salary to the respective systems, 11.62%. 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, 2008, 2007, and 2006 were; for the Noncontributory System \$65,344, \$62,718, and \$56,087. 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, 2008, 2007, and 2006 were \$17,489, \$16,829, and \$15,729, respectively.

**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.

**DELTA CITY**  
**INDEPENDENT AUDITORS' REPORT IN**  
**ACCORDANCE WITH *GOVERNMENT***  
***AUDITING STANDARDS***  
**STATE COMPLIANCE REPORT**  
**MANAGEMENT LETTER**  
**JUNE 30, 2008**

**DELTA CITY  
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JUNE 30, 2008**

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***GOVERNMENT AUDITING STANDARDS REPORT***

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

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, 2008, which collectively comprise the City of Delta, Utah's basic financial statements and have issued my report thereon dated December 22, 2008. 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 by prevented or detected by the City of Delta, Utah's internal control.

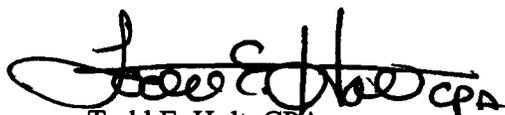
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

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 22, 2008

# **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, 2008, and have issued my report thereon dated December 22, 2008. 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, 2008. The City received the following non 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

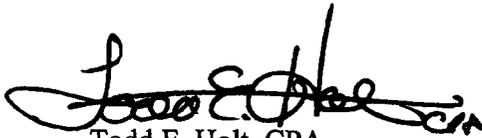
Other General Issues  
Statement of Fees Charged, Collected, & Disbursed

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, 2008.



Todd E. Holt, CPA  
December 22, 2008

## ***CURRENT YEAR FINDINGS***

### **FINDING**

As of June 30, 2008, the City failed to properly accrue various accounts that resulted in incorrect year end balances on the financial statements

### **RECOMMENDATION**

The City should take action in order to ensure all accruals are made at year end. With the correct adjustments, the financial statements will continue to be as correct as possible. If needed, the City could implement a checklist at year end to ensure all accruals have been made correctly.

***PRIOR YEAR FINDINGS***

**INTERNAL ACCOUNTING CONTROLS**

No prior year findings.

**STATE COMPLIANCE ISSUES**

No prior year finding.