CITY OF WENDOVER

Financial Statements - June 30, 2005

(With Auditors' Report Thereon)

CITY OF WENDOVER

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CRANE, CHRISTENSEN & AMBROSE
Certified Public Accountants
A Professional Corporation

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Chuck Palmer, CPA

Independent Auditors' Report

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wendover, as of, and for the year ended June 30, 2005 which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wendover as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2005 on our consideration of the City of Wendover's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crane, Christensen & Ambrose P.C.

November 17, 2005

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WENDOVER CITY, UTAH
Management's Discussion and Analysis
For fiscal year ending June 30, 2005

INTRODUCTION

The following is a discussion and analysis of Wendover City's financial performance and activities for the fiscal year ending June 30, 2005. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements. As a result, these reports will include a more extensive prior year comparison.

HIGHLIGHTS

Commercial growth was nonexistent. The only commercial growth was Vendor participation and most of that business was of a temporary nature. There were some improvements to signs, and general remodeling. There was one new residential building permit issued in fiscal year 2004/2005. There were "add-ons" in the form of porches and patio decks, re-roofing, upgrade of electrical services and general repair.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets, and 2) the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities).

Wendover City's business type activities include water, sewer and garbage operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Wendover City uses one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Wendover City has one enterprise fund in which it accounts for its water, sewer and garbage services.

Differences between Government-Wide and Fund Statements

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 72.5 percent, reflects investment in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 4.2 percent of total net assets and are subject to external restrictions on hw they may be used. The remaining 23.3 percent of net assets are unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

CITY OF WENDOVER, UTAH
Statement of Net Assets
Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2005	2004	2005	2004
Current and Other Assets	567,998	412,616	1,110,643	1,086,988
Capital Assets (Net)	310,339	240,034	7,199,677	5,359,304
Total Assets	878,337	652,650	8,310,320	6,446,292
Liabilities	80,664	62,221	3,360,983	3,308,040
Total Liabilities	80,664	62,221	3,360,983	3,308,040
Net Assets				
Invested in Capital Assets, Net of Related Debt	235,785	185,905	3,929,050	2,059,089
Restricted	191,814	145,502	52,140	174,004
Unrestricted	370,074	259,022	968,147	905,159
Total Net Assets	797,673	590,429	4,949,337	3,138,252

CITY OF WENDOVER, UTAH

Changes in Net Assets
Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2005	2004	2005	2004
Program Revenues				
Charges for Services	222,310	18,060	631,363	638,965
Operating Grants & Contributions	208,473	200,036		
Capital Grants & Contributions	53,899		1,788,216	313,060
General Revenues				
Property Taxes	197,443	184,731		
Sales Tax	177,372	170,673		
Franchise Tax	77,326	60,461		
Other Revenues	105,717	324,656	-67,131	-139,468
Total Revenues	1,042,540	958,617	2,352,448	812,557
Expenses				
General Government	311,605	294,393		
Public Safety	431,506	423,244		
Public Works	75,174	21,452		
Miscellaneous Services	17,010	29,809		
Public Utilities			541,363	517,258
Total Expenses	835,295	768,898	541,363	517,258
Increase in Net Assets before Transfers	207,245	189,719	1,811,085	295,299
Transfers				
Change in Net Assets	207,245	189,719	1,811,085	295,299
Net Assets Beginning	590,428	400,710	3,138,252	2,842,953
Net Assets Ending	797,673	590,429	4,949,337	3,138,252

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of $ 207,245 for the year. Chart 1, showed by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

Governmental Activities Net Uses

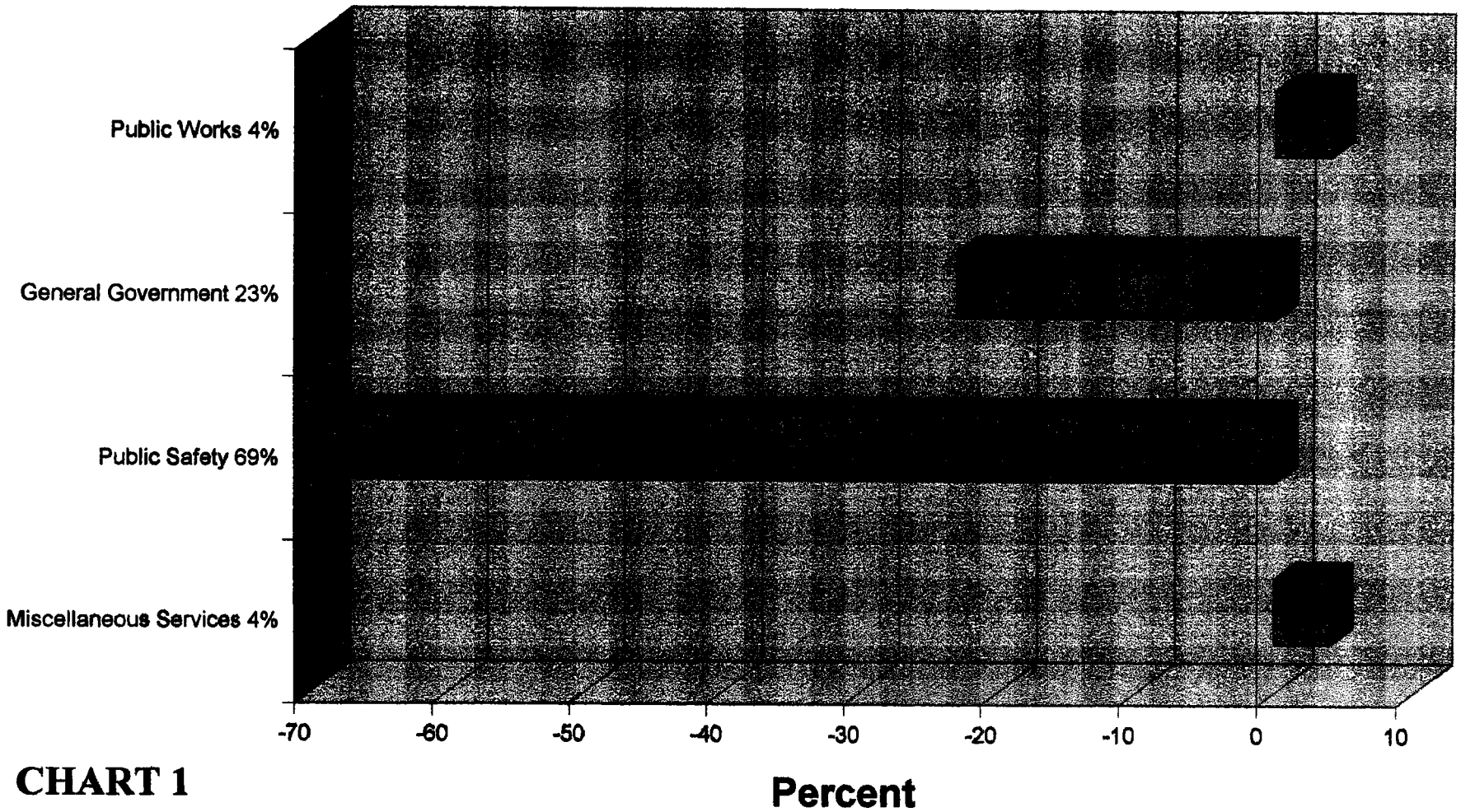


CHART 1

The Table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of $484,682 or 58% of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 42% of expenses.

Activities	Total Program Expenses	Less Program Revenues	Net Program Costs	Program Revenues as a Percentage of Total Expenses
General Government	$ 311,605	$ 216,180	$ 95,425	69.4 %
Public Safety	$ 431,506	$ 144,179	$ 287,327	33.4 %
Public Works	$ 75,174	$ 89,755	($ 14,581)	119.4 %
Miscellaneous Services	$ 17,010	$ 34,568	($ 17,558)	203.2 %
Totals	$ 835,295	$ 484,682	$ 350,613	58 %

Business-Type Activities
The Business-Type activities (water, sewer, and garbage) are generating sufficient revenue to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets
Wendover City added $ 154,807 in new capital assets in governmental activities during the fiscal year - $125,341 in autos and trucks and $29,466 in machinery and equipment.

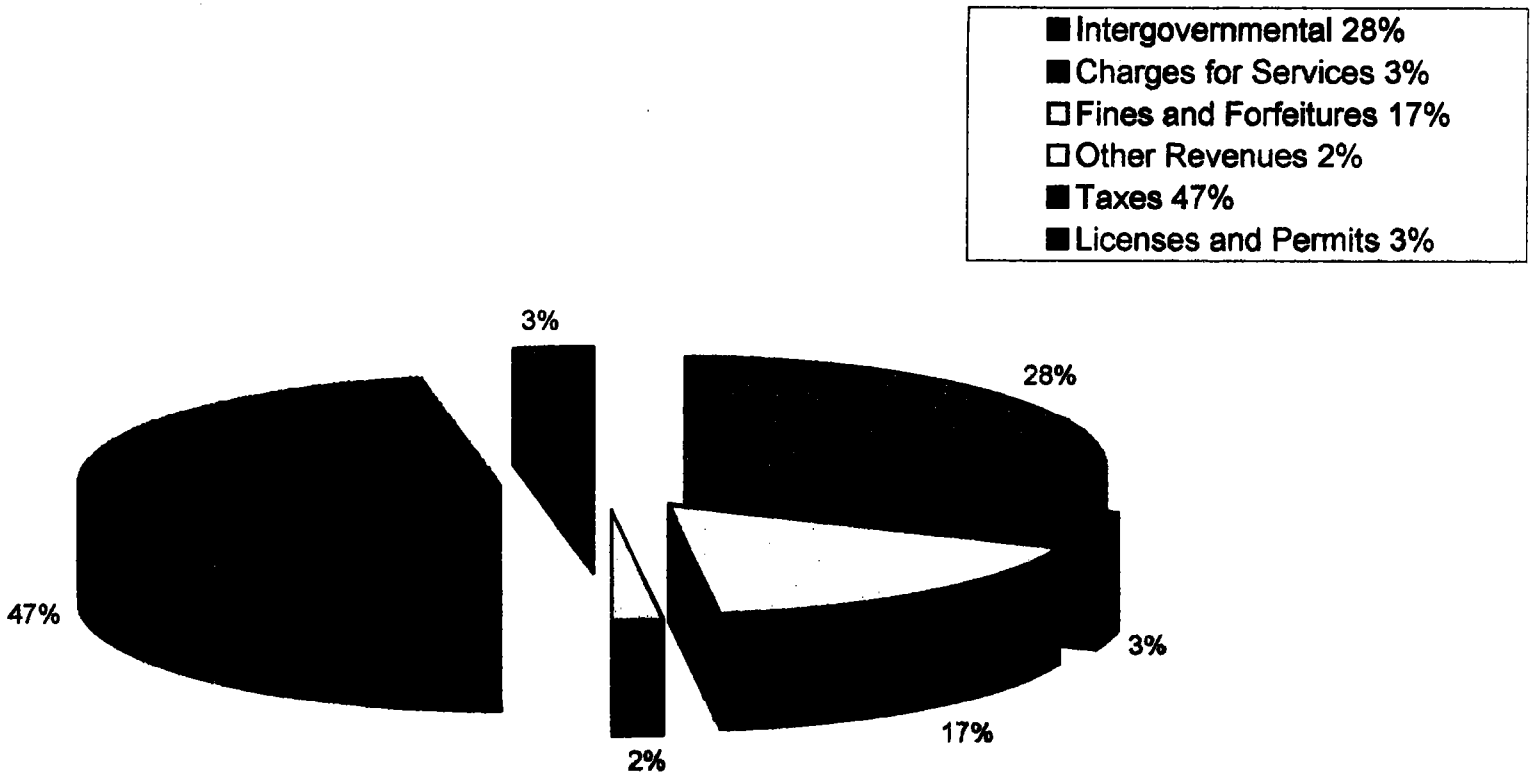
Wendover City added $ 1,901,879 in new capital assets in business-type activities during the fiscal year, all of which was new construction on waterline.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

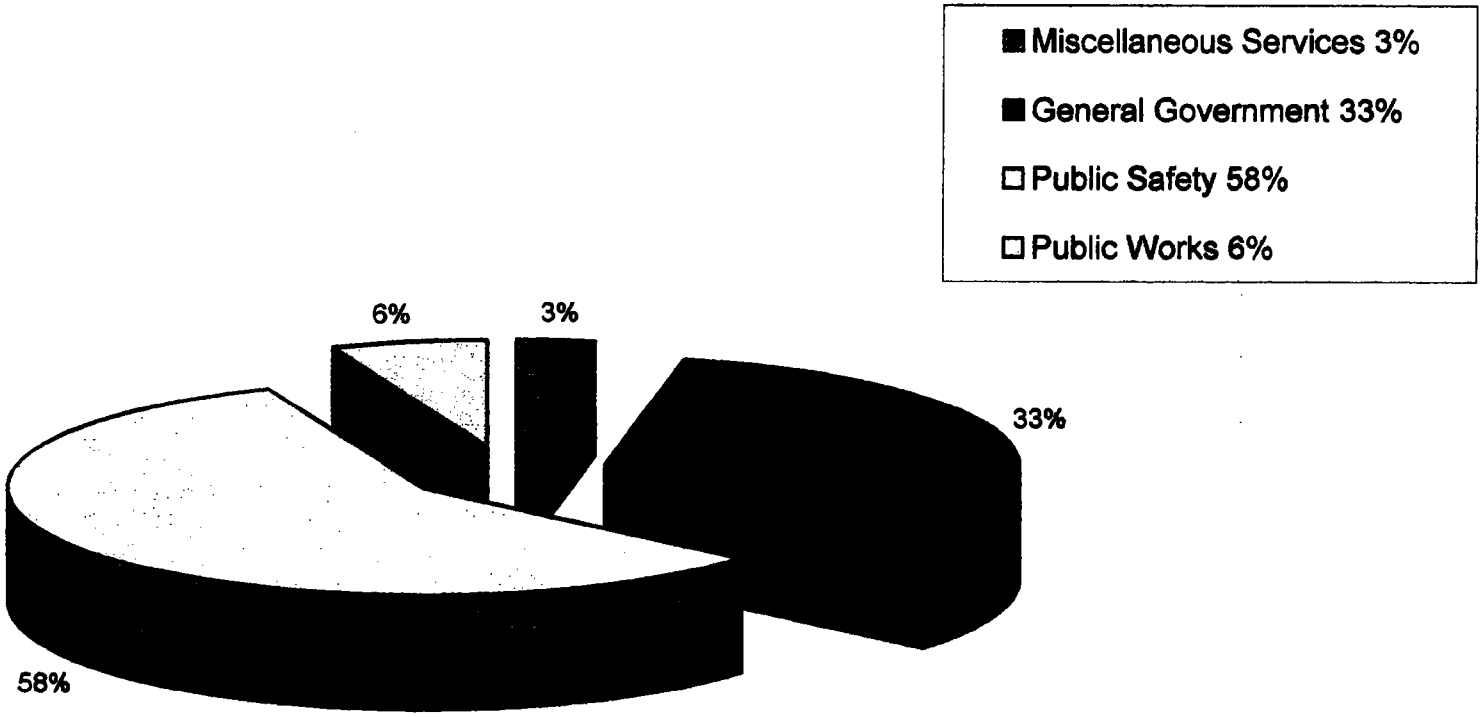
Fund Balances
At June 30, 2005, Wendover City's governmental funds reported combined fund balances of $561,888. Of this amount $ 158,870 or 28.3 percent is reserved for specific purposes and projects. The remaining $403,018 or 71.7 percent is unreserved.

General Fund
During 2005, the fund balance in the general fund increased by $ 154,753 most of that being (unreserved/reserved). Taxes increased $36,276 or 8.7 percent from previous year, with most of the increase, $16,865 being franchise fees. Total general fund revenue was up $147,678 or 18.4 percent. Total general fund expenditures (excluding transfers) were up $123,607 or 15.7 percent.

General Fund Revenue Sources



General Fund Expenditures



General Fund Budgetary Highlights
Wendover City prepares its budget according to state statues. The most significant budget is the General Fund. The City amended the General Fund budget 6 times during the year to meet the needs of the departments as issues arose. The budget remained status-quo for the year.

Actual General Fund revenues were $ 276,440 or 41 percent above the final budget. Actual expenditures were $ 148,406 or 14 percent below the final budget. The City was not required to draw upon existing fund balance in the General Fund this year to cover its expenditures

Enterprise Funds
The combined change in net assets of the enterprise fund shows an increase of $1,811,085 or 57.7 percent from the previous year.

OTHER MATTERS

Current and Future Projects
The City completed the installation of the remaining 14" polywrapped ductile iron waterline. There still remains approximately 5,000 feet of waterline to be replaced sometime in the future. The UDOT funded a portion of another phase of the "Safe Sidewalk" program that started in the fall of 2005. The funding ratio for that project is 25/75. The City responsible for the 25 percent. The CDBG funding was used to complete the curb, gutter and sidewalks around the Community building. That project will be completed sometime the first quarter of 2006. The City has applied for funds to install curb, gutter, sidewalk, asphalt on Moriah Avenue and some additional improvements to the Community building and the Fire Station.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Wendover City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to:

Glenn Wadsworth
City Administrator
P.O. Box 430
Wendover, Utah 84083

CITY OF WENDOVER

Statement of Net Assets

June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 556,599	919,678	1,476,277
Accounts receivable	11,399	55,467	66,866
Supplies inventory	-	20,516	20,516
Investment in water board	-	85,887	85,887
Bond issue costs	-	29,095	29,095
Capital assets:			
Land and related non-depreciable assets	9,119	80,587	89,706
Depreciable infrastructure	98,964	-	98,964
Buildings, equipment, and other depreciable assets	999,074	8,708,882	9,707,956
Less accumulated depreciation	(796,818)	(1,589,792)	(2,386,610)
Total capital assets	310,339	7,199,677	7,510,016
Total assets	878,337	8,310,320	9,188,657
Liabilities:			
Bonds payable	-	3,270,627	3,270,627
Leases payable	74,554	-	74,554
Accounts payable and accrued liabilities	6,110	79,209	85,319
Customer deposits	-	11,147	11,147
Total liabilities	80,664	3,360,983	3,441,647
Net assets:			
Invested in capital assets, net of related debt	235,785	3,929,050	4,164,835
Restricted for:			
System construction	-	52,140	52,140
Class C roads	97,396	-	97,396
Room tax	60,609	-	60,609
Drug enforcement	865	-	865
Cemetery operations	32,944	-	32,944
Unrestricted	370,074	968,147	1,338,221
Total net assets	$ 797,673	4,949,337	5,747,010

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(95,425)	-	(95,425)
(287,327)	-	(287,327)
14,581	-	14,581
17,558	-	17,558
(350,613)	-	(350,613)
-	1,878,216	1,878,216
-	1,878,216	1,878,216
(350,613)	1,878,216	1,527,603
197,443	-	197,443
177,372	-	177,372
77,326	-	77,326
452,141	-	452,141
16,717	21,869	38,586
89,000	(89,000)	-
105,717	(67,131)	38,586
557,858	(67,131)	490,727
207,245	1,811,085	2,018,330
590,428	3,138,252	3,728,680
$ 797,673	4,949,337	5,747,010

CITY OF WENDOVER

Balance Sheet
Governmental Funds

June 30, 2005

Assets	General Fund	Cemetery Special Revenue	Total Governmental Funds
Cash (note 2)	$ 523,655	32,944	556,599
Accounts receivable (note 3)	11,399	-	11,399
	$ 535,054	32,944	567,998
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 6,110	-	6,110
Total liabilities	6,110	-	6,110
Fund balances:			
Fund balance reserved for: (note 1)			
Class C roads	97,396	-	97,396
Room tax	60,609	-	60,609
Drug enforcement	865	-	865
Fund balance unreserved	370,074	32,944	403,018
Total fund balances	528,944	32,944	561,888
	$ 535,054	32,944	567,998

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2005

Total fund balance - governmental funds		$ 561,888
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. These assets consist of:		
Land and related non-depreciable assets	$ 9,119	
Depreciable infrastructure	98,964	
Buildings, equipment, and other depreciable assets	999,074	
Accumulated depreciation	(796,818)	
Total capital assets		310,339
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Leases payable	(74,554)	
Total long-term debt		(74,554)
Total net assets - governmental activities		$ 797,673

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

	General Fund	Cemetery Special Revenue	Total Governmental Funds
Revenues:			
Taxes	$ 452,141	-	452,141
Licenses and permits	28,971	-	28,971
Intergovernmental	262,372	-	262,372
Charges for services	27,698	3,000	30,698
Fines and forfeitures	162,641	-	162,641
Other revenues	16,358	359	16,717
Total revenues	950,181	3,359	953,540
Expenditures:			
Current:			
General government	302,595	-	302,595
Public safety	531,976	-	531,976
Public works	54,668	-	54,668
Miscellaneous services	22,462	748	23,210
Total expenditures	911,701	748	912,449
Excess (deficiency) of revenues over (under) expenditures	38,480	2,611	41,091
Other financing sources (uses):			
Capital lease proceeds	27,273	-	27,273
Transfers in	89,000	-	89,000
Transfers out	-	-	-
Total other financing sources (uses)	116,273	-	116,273
Net changes in fund balances	154,753	2,611	157,364
Fund balances - beginning of year	374,191	30,333	404,524
Fund balances - end of year	$ 528,944	32,944	561,888

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

Net change in fund balance - total governmental funds		$ 157,364
Amount reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures ($161,007). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense ($90,702). Capital outlay exceeded depreciation for the period.		70,305
Government funds report changes on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities.		
Capital lease proceeds	$ (27,273)	
Payments on capital leases	6,849	
		(20,424)
Changes in net assets of governmental activities		$ 207,245

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Business-Type Activities - Utility Enterprise Fund
Assets:	
Cash	$ 919,678
Accounts receivable	55,467
Inventory of supplies	20,516
Improvements	2,195,836
Machinery and equipment	350,146
Construction in progress	6,243,487
Accumulated depreciation	(1,589,792)
Investment in water board	85,887
Bond issue costs, net of accumulated amortization	29,095
Total assets	8,310,320
Liabilities:	
Bonds payable	3,270,627
Accounts payable	79,209
Customer deposits	11,147
Total liabilities	3,360,983
Net assets:	
Invested in capital assets, net of related debt	3,929,050
Restricted	52,140
Unrestricted	968,147
Total net assets	$ 4,949,337

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities - Utility Enterprise Fund
Operating revenues:	
Charges for services	$ 631,363
Miscellaneous	5,643
Total operating revenues	637,006
Operating expenses:	
Personnel services	183,625
Contractual services	167,447
Materials and supplies	104,754
Depreciation	61,506
Total operating expenses	517,332
Operating income	119,674
Non-operating revenues (expenses):	
Intergovernmental	1,788,216
Interest revenue	16,226
Interest expense	(22,953)
Bond issuance costs	(1,078)
Total non-operating revenues (expenses)	1,780,411
Income before contributions and transfers	1,900,085
Transfers (out)	(89,000)
Change in net assets	1,811,085
Net assets - beginning of year	3,138,252
Net assets - end of year	$ 4,949,337

See independent auditors' report and notes to financial statements.

CITY OF WENDOVER

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2005

	Business-Type Activities - Utility Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	$ 638,258
Cash received from other activities	5,643
Cash payments for payroll and benefits	(183,625)
Cash payments for goods and services	(187,064)
Net cash provided by operating activities	273,212
Cash flows from investing activities:	
Interest earned on cash deposits	16,226
Net cash provided by investing activities	16,226
Cash flows from noncapital financing activities:	
Transfers out	(89,000)
Net cash used by noncapital financing activities	(89,000)
Cash flows from capital and related financing activities:	
Capital grants	1,788,216
Cash payments for capital assets	(1,901,879)
Interest paid	(22,953)
Payment on debt	(29,588)
Net cash used for capital and related financing activities	(166,204)
Net increase in cash and cash equivalents	34,234
Cash and cash equivalents - beginning of year	885,444
Cash and cash equivalents - end of year	$ 919,678

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	$ 119,674
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	61,506
Decrease in inventory	2,606
Decrease in accounts receivable	6,895
Increase in accounts payable	79,209
Increase in customer deposits	3,322
Net cash provided by operating activities	$ 273,212

See independent auditors' report and notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Wendover is incorporated under the laws of the State of Utah as provided by both constitution and statute. The City operates under a Mayor-Council for of government, the council being comprised of five elected members serving as part-time legislators and administrators. The government provides the following services: public safety, public health, streets and highways, recreation, economic development, planning and zoning and general administrative services. The financial statements of the City of Wendover have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Wendover (the primary government). The City has no component units.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements
The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements
The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

Governmental Fund Types:
The City reports the following major governmental funds:

General fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City operates its cemetery as a special revenue fund.

(1) Summary of Significant Accounting Policies - Continued

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates its utility fund as an enterprise fund.

Internal service fund - The internal service fund is used to account for the financing of goods and services provided by the motor pool to other departments or agencies of the City, or to other governments, on a cost-reimbursements basis.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the City of Wendover Municipal Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, six supplemental amendments were made to the City's general fund budget in the amount of $181,033.

(1) Summary of Significant Accounting Policies - Continued

E. Inventory

Inventory is stated at cost determined by FIFO method.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Water and sewer systems	40 years
Equipment and machinery	5-15 years
Other improvements	10-30 years
Infrastructure	10-30 years

G. Reservations of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "C" road revenue, transient room tax revenue and drug enforcement revenue.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the City of Wendover are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository,* defined 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 requirement of the Act and adhering to the rules of the Utah Money Management Council.

(2) Deposits and Investments - Continued

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2005 were $549,570, of which $449,570 were uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2005:

Investment Type	Fair Value	Maturity	Quality Ratings
PTIF Investments	$ 1,014,849	54 days*	not rated

*Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Accounts Receivable

The City's utility accounts receivable are reported net of an allowance for doubtful accounts in the amount of $2,919.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	$ 2,919	6,200	-	9,119
Total	2,919	6,200	-	9,119
Capital assets being depreciated:				
Buildings and other structures	148,714	-	-	148,714
Machinery and equipment	334,320	29,466	-	363,786
Autos and trucks	361,233	125,341	-	486,574
Infrastructure	98,964	-	-	98,964
Total	943,231	154,807	-	1,098,038
Less accumulated depreciation for:				
Buildings and other structures	(115,214)	(3,341)	-	(118,555)
Machinery and equipment	(246,416)	(34,954)	-	(281,370)
Autos and trucks	(324,693)	(32,614)	-	(357,307)
Infrastructure	(19,793)	(19,793)	-	(39,586)
Total	(706,116)	(90,702)	-	(796,818)
Capital assets being depreciated, net	237,115	64,105	-	301,220
Governmental activity capital assets, net	$ 240,034	70,305	-	310,339

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 80,587	-	-	80,587
Construction in progress	4,341,608	1,901,879	-	6,243,487
Total	4,422,195	1,901,879	-	6,324,074
Capital assets being depreciated:				
Machinery and equipment	350,146	-	-	350,146
Improvements	2,115,249	-	-	2,115,249
Total	2,465,395	-	-	2,465,395
Less accumulated depreciation for:				
Machinery and equipment	(327,021)	(18,035)	-	(345,056)
Improvements	(1,201,265)	(43,471)	-	(1,244,736)
Total	(1,528,286)	(61,506)	-	(1,589,792)
Capital assets being depreciated, net	937,109	(61,506	-	875,603
Business-type activities capital assets, net	$ 5,359,304	1,840,373	-	7,199,677

Depreciation expense of governmental activities was charged to functions as follows:

General Government	$ 9,010
Public Safety	61,186
Public Works	20,506
Total	$ 90,702

(5) Investment in Water Board

Effective January 1, 1979 a water board was formed according to an agreement between Elko County, Nevada and the City of Wendover. The agreement provides that the City will transfer its water collection system, which is located in Nevada, to the new joint water board. The water collection system transferred to the new board had a basis of $124,887. In order to equalize the contribution between the City and Elko County, the City received $39,000 from Elko County making a net investment in the water board of $85,887.

(6) Long-Term Debt

Long-term debt of the utility fund consists of the following:

	Original Amount	6-30-05 Balance	Current	Long-Term
1999 Water Revenue Bonds	$ 2,756,000	1,041,609	-	1,041,609
2003 Water Revenue Bonds	1,779,000	1,729,000	26,000	1,703,000
USDA Rural Development Bonds	510,000	500,018	5,165	494,853
		$ 3,270,627	31,165	3,239,462

Maturities of June 30, 2005 long-term debt are as follows:

Year ending June 30,	
2006	$ 31,165
2007	31,402
2008	31,650
2009	31,910
2010	32,181
2011-2015	165,436
2016-2020	174,359
2021-2025	185,528
2026-2030	199,510
2031-2035	165,012
2036-2040	108,922
2041-2045	2,113,352
	$ 3,270,627

On November 3, 1999 the City issued $3,416,000 in water revenue bonds. The proceeds of this issue are being used to construct a new waterline for the City's culinary water system. The bonds carry an interest rate of 2.14% and will be repaid from revenue derived from the operation of the City's water system. $660,000 of the total will be treated as a "Hardship Grant" by the State of Utah Drinking Water Board and will not have to be repaid by the City. That grant will result in a net liability to be repaid of $2,756,000. At June 30, 2005 the City was obligated for $1,041,609 of the total bond proceeds available.

On April 23, 2003, the City issued $1,779,000 in water revenue bonds through the Drinking Water Board of the Utah Department of Environmental Quality. These bonds have a zero percent interest rate. The City also issued $510,000 in water revenue bonds through the Rural Development Loan Fund of the U.S. Department of Agriculture. These bonds carry a 4.5% interest rate and have a 40 year maturity.

Obligations under capital leases of the governmental activities consists of the following:

Banc One leasing - fire truck	$ 46,681
Zions Bank - police vehicles	27,873
	$ 74,554

(6) Long-Term Debt - Continued

Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2005 are summarized as follows:

Year ending June 30,	Fire Truck Lease	Police Vehicle Lease
2006	$ 10,936	6,238
2007	10,936	6,238
2008	10,936	6,238
2009	10,936	6,238
2010	10,936	6,238
Total lease payments	54,680	31,190
Less amount representing interest	7,999	3,317
Present value of minimum lease payment	46,681	27,873
Less current portion	8,117	5,160
Portion of obligations under capital leases due after one year	$ 38,564	22,713

Changes in general long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital leases	$ 54,129	27,873	7,448	74,554

(7) Retirement Plans

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

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (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 Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy
In the Local Governmental Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. In fiscal year 2005, the City contributed 22.17% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2005, 2004 and 2003 were as follows:

A. Local Governmental System - Non-contributory

	2005	2004	2003	
$	22,724	19,568	17,306	Employer contributions.
	204,903	203,410	199,149	Salary subject to retirement contributions.

B. Utah Public Retirement System - Public Safety

	2005	2004	2003	
$	28,818	23,297	24,909	Employer paid contributions.
	129,985	119,962	141,050	Salary subject to retirement contributions.

(7) Retirement Plans - Continued

C. 401(K) Plan

	2005	2004	2003	
$	3,074	3,051	2,987	Employer paid for employee contributions.

(8) Inter-fund Transfers

General fund - transfer in	$ 89,000
Utility fund - transfer out	(89,000)

(9) Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Administrator to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Business Administration Department and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City is to certify the tax rate to the County Auditor before June 22nd.

Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The above procedures are authorized by Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

Duties to be Completed	Authorizing Statute	Statute Date
Lien date	59-2-103 59-2-1302	1/1
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-919	3/1
County treasurer to settle taxes charged and collected for previous year	59-2-1365	3/31
Budget officer shall prepare and file with council a tentative budget	10-6-111	1st scheduled council meeting in May
County assessor delivers roll to county auditor	59-2-924	6/1
Tax commission reports value of Centrally Assessed Property to counties	59-2-802	6/1

(9) Budgetary Accounting and Tax Calendar - Continued

Property Tax Calendar - Continued

Duties to be Completed	Authorizing Statute	Statute Date
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-2-924	6/1
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	6/1
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	6/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-2-924(3)	6/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	6/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	9/17
County treasurer to mail tax notice	59-2-1317	11/1
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/1
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

(10) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

(11) Risk Management

The City of Wendover is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(12) Commitments

In 1999 the City began construction on a new water supply system that is expected to cost approximately $7,000,000. The project is expected to be completed during fiscal 2007.

REQUIRED SUPPLEMENTAL INFORMATION

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before June 22 for the fiscal year commencing the following July 1 in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund and special revenue fund are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue funds. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended June 30, 2005

Revenues	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance Favorable (Unfavorable)
Taxes:				
Sales tax	$ 137,000	137,000	153,801	16,801
Current year property taxes	144,000	144,000	150,492	6,492
Franchise tax	60,350	60,350	77,326	16,976
Delinquent prior years taxes	8,500	8,500	15,346	6,846
Transient room tax	22,800	22,800	23,571	771
Fee in lieu	21,000	21,000	31,605	10,605
Total taxes	393,650	393,650	452,141	58,491
Licenses and permits:				
Licenses and permits	16,200	16,200	16,634	434
Building permits	2,500	2,500	6,842	4,342
Plan check fee	700	700	3,941	3,241
Special surcharge	50	50	129	79
Animal licenses	700	700	1,425	725
Total licenses and permits	20,150	20,150	28,971	8,821
Intergovernmental:				
Class "C" roads	54,000	54,000	67,255	13,255
Homeland security/terrorism	-	-	82,736	82,736
State liquor allotment	1,586	1,586	1,577	(9)
County revenue	58,400	58,400	56,905	(1,495)
Other grants	-	-	53,899	53,899
Total intergovernmental	113,986	113,986	262,372	148,386
Charges for services:				
Police charges	625	625	2,040	1,415
Fire department charges	6,300	6,300	14,090	7,790
Other charges	4,675	4,675	11,568	6,893
Total charges for services	11,600	11,600	27,698	16,098
Fines and forfeitures	129,000	129,000	162,641	33,641
Other revenues:				
Interest earned	5,355	5,355	12,358	7,003
Miscellaneous	-	-	4,000	4,000
Total other revenues	5,355	5,355	16,358	11,003
Total revenues	673,741	673,741	950,181	276,440
Expenditures				
General government				
Legislative:				
Salaries and benefits	4,200	4,200	4,200	-
Materials, supplies and services	1,980	1,980	1,226	754
	6,180	6,180	5,426	754
Judicial:				
Salaries and benefits	22,186	22,186	21,841	345
Materials, supplies and services	54,814	54,814	50,467	4,347
	77,000	77,000	72,308	4,692

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

Expenditures - Continued	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance Favorable (Unfavorable)
General government- continued				
City Administration:				
Salaries and benefits	$ 42,855	42,855	42,653	202
Materials, supplies and services	28,595	28,595	16,015	12,580
	71,450	71,450	58,668	12,782
Non-departmental:				
Audit	10,000	10,000	8,619	1,381
Attorney	40,000	40,000	34,445	5,555
	50,000	50,000	43,064	6,936
Buildings and grounds:				
Salaries and benefits	43,888	43,888	43,222	666
Materials, supplies and services	80,024	81,139	79,907	1,232
	123,912	125,027	123,129	1,898
Total general government	328,542	329,657	302,595	27,062
Public safety				
Police service:				
Salaries and benefits	259,119	259,119	257,707	1,412
Materials, supplies and service	78,646	175,294	156,163	19,131
	337,765	434,413	413,870	20,543
Fire department:				
Salaries and benefits	16,009	16,009	15,998	11
Materials, supplies and services	32,178	91,748	90,311	1,437
	48,187	107,757	106,309	1,448
Animal control:				
Salaries and benefits	1,233	1,233	1,230	3
Materials, supplies and services	8,767	8,767	5,559	3,208
	10,000	10,000	6,789	3,211
Building inspections:				
Salaries and benefits	100	100	100	-
Materials, supplies and services	5,000	5,000	4,908	92
	5,100	5,100	5,008	92
Total public safety	401,052	557,270	531,976	25,294
Public works				
Roads:				
Salaries and benefits	7,929	7,929	7,921	8
Materials, supplies and services	46,071	51,971	15,132	36,839
	54,000	59,900	23,053	36,847
Public improvements:				
Materials, supplies and services	34,885	48,485	31,615	16,870
Total public works	88,885	108,385	54,668	53,717

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Miscellaneous services				
Salaries and benefits	$ 549	549	399	150
Materials, supplies and services	60,046	64,246	22,063	42,183
	60,595	64,795	22,462	42,333
Total miscellaneous services	60,595	64,795	22,462	42,333
Total expenditures	879,074	1,060,107	911,701	148,406
Excess (deficiency) of revenues over (under) expenditures	(205,333)	(386,366)	38,480	424,846
Other financing sources (uses):				
Capital lease proceeds	-	-	27,273	27,273
Transfers in (out)	89,000	89,000	89,000	-
Use of fund balance	116,333	297,366	-	(297,366)
Total other financing sources (uses)	205,333	386,366	116,273	(270,093)
Net changes in fund balances	-	-	154,753	154,753
Fund balance - beginning of year	374,191	374,191	374,191	-
Fund balance - end of year	$ 374,191	374,191	528,944	154,753

CITY OF WENDOVER

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund

Year Ended June 30, 2005

	Budgeted Amounts			Variance Favorable
Revenues	Original	Final	Actual	(Unfavorable)
Charges for services:				
Sale of lots	$ 1,000	1,000	1,800	800
Burial fees	750	750	1,200	450
Total charges for services	1,750	1,750	3,000	1,250
Other revenues:				
Interest earned	115	115	359	244
Total other revenues	115	115	359	244
Total revenues	1,865	1,865	3,359	1,494
Expenditures				
Cemetery services:				
Salaries and benefits	645	645	-	645
Materials, supplies and services	1,220	1,220	748	472
Total cemetery services	1,865	1,865	748	1,117
Total expenditures	1,865	1,865	748	1,117
Excess of revenue over expenditures	-	-	2,611	2,611
Fund balance - beginning of year	30,333	30,333	30,333	-
Fund balance - end of year	$ 30,333	30,333	32,944	2,611

CRANE, CHRISTENSEN & AMBROSE
Certified Public Accountants
A Professional Corporation

Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the general purpose financial statements of the City of Wendover for the year ended June 30, 2005, and have issued our report thereon dated November 17, 2005. The City of Wendover received the following non-major 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 Wendover's financial statements.)

Safe Sidewalk Grant (Department of Transportation)
Hardship Grant (Drinking Water Board)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Court
B & C Road Funds
Other General Issues
Department of Commerce General Compliance

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

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above.

In our opinion the City of Wendover complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.

Crane, Christensen & Ambrose P.C.

November 17, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
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CITY OF WENDOVER

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

PROGRAM: OTHER GENERAL COMPLIANCE ISSUES

FINDING:	The fund balance of the general fund is in excess of the maximum allowed by State Statute.
QUESTIONED COSTS:	None
RECOMMENDATION:	We recommend that the excess amount be included in the current year's budget and used in the current year to bring the fund balance back within statutory limits.
CITY'S REPLY:	The City will budget the excess amount or transfer it to other funds in the current year.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

We have audited the financial statements of the City of Wendover as of and for the year ended June 30, 2005, and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wendover's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Wendover's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Wendover in a separate letter dated November 17, 2005.

This report is intended for the information of the management, Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen + Ambrose P.C.

November 17, 2005

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CITY OF WENDOVER

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

FINDING 2005-1:	The City's small staff size does not always allow for adequate segregation of duties and responsibilities. This condition is mitigated by the fact that the City Council takes an active role in overseeing the City's operations.
QUESTIONED COSTS:	None
RECOMMENDATION:	If possible, the City should hire additional employees to provide greater segregation of duties.
CITY'S REPLY:	The City's small budget precludes the hiring of additional employees. The City will attempt to improve segregation of duties and will continue to have adequate oversight by the City Council.

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Chuck Palmer, CPA

Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program

Honorable Mayor and City Council
City of Wendover
Wendover, Utah

Compliance - We have audited the compliance of the City of Wendover (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion of the City's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance - The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Crane, Christensen + Ambrose P.C.

Ogden, Utah
November 17, 2005

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CITY OF WENDOVER

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

PROGRAM: EPA SURVEYS-STUDIES-INVESTIGATIONS AND SPECIAL PURPOSE GRANTS

FINDING:	None
QUESTIONED COSTS:	None
RECOMMENDATION:	N/A
CITY'S REPLY:	N/A

SUMMARY OF AUDITORS' RESULTS

A. Type of report issued on financial statements - unqualified.

B. We noted no reportable conditions.

C. No material noncompliance was disclosed by the audit.

D. No reportable conditions in internal control over major federal programs were disclosed by the audit.

E. Unqualified opinion issued on compliance for major federal programs.

F. No audit findings were required to be reported under OMB Circular A-133 Section .510(a).

G. Major program - EPA Surveys-Studies-Investigations and Special Purpose Grants.

H. Dollar threshold to distinguish between Type A and Type B programs: $500,000.

I. Auditee did not qualify as a low risk auditee.

CITY OF WENDOVER

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency			
Pass-through program from Utah State Department of Environmental Quality:			
Surveys-Studies-Investigations and Special Purpose Grants	66.606	3810-3AD8-STA02	$ 1,047,710
Total U.S. Environmental Protection Agency			1,047,710
U.S. Department of Homeland Security			
Pass-through program from the Utah Department of Health:			
Assistance to Firefighters Grant	97.044	-	54,807
Total U.S. Department of Home Land Security			54,807
U.S. Department of Housing and Urban Development			
Pass-through program from Goshute Housing Authority:			
Community Development Block Grant	14.218	-	22,500
Total U.S. Department of Housing and Urban Development			22,500
U.S. Department of Justice			
Pass-through from Utah Department of Safety:			
Bullet proof vest	16.607	-	325
Public Safety Partnership and Community Policing (COPS Grants)	16.710	-	6,779
Total U.S. Department of Justice			7,104
Total Expenditures of Federal Awards			$ 1,132,121

See accompanying note to schedule of expenditures of federal awards.

CITY OF WENDOVER

Note to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wendover and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF WENDOVER

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2005

There were no prior year findings.

MAYOR
Brett Shelton

CITY ADMINISTRATOR
Glenn Wadsworth

CITY COUNCIL
Ms. Gertrude Tripp
Mr. Stephen Lawrence
Mr. Karl Jorgenson
Mr. Mike R. Crawford
Mr. Gary Bean

February 24, 2006

Richard M. Moon
Office of the State Auditor
Utah State Capitol Complex
P.O. Box 142310
Salt Lake City, Utah 84114-2310

SUBJECT: 2004/2005 AUDIT RECOMMENDATIONS

Dear Mr. Moon:

Please find enclosed the 2004/2005 recommendations issued by the Auditing firm of Crane, Christensen & Ambrose for the City of Wendover, Utah.

In response to the recommendations the City of Wendover, Utah will endeavor to accomplish the suggestions as listed.

1. The City of Wendover, Utah will physically transfer money from the Class C PTIF account into the general PTIF or general savings or checking account to reflect the use of Class C money.

2. The City of Wendover, Utah will attempt to balance the utility A/R aging report and the related A/R account in the utility fund trial balance.

3. The City of Wendover, Utah will update the depreciation schedule as requested by the audit firm.

If you have any questions, please feel free to contact me.

Sincerely,

Glenn Wadsworth

Glenn Wadsworth
City Administrator

100 South 9th Street P.O. Box 430 Wendover, Utah 84083 (435) 665-7030 Fax (435) 665-2523

CRANE, CHRISTENSEN & AMBROSE
Certified Public Accountants
A Professional Corporation

Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

November 17, 2005

Honorable Mayor and City Council
City of Wendover, Utah

We have completed our audit of the City's financial statements for the year ended June 30, 2005. We express our sincere appreciation to the City's employees for the assistance they so willingly provided during our audit.

As stated in our engagement letter dated August 22, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the City's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you. We noted no transactions for which there is a lack of authoritative guidance or consensus.

As a result of observations we made during our field work, we make the following recommendations which we believe will result in additional improvements in the City's accounting system and internal controls.

1. We recommend that each month you compare the utility charges per the utility billing register to the "current" column of the utility accounts receivable aging report to make sure they are consistent with each other. Also, we noted that the aging report was slightly different that the general ledger at year end. We suggest that you make sure all subsidiary systems get updated to the general ledger each month and that they tie to the general ledger system.

2. We suggest that you perform a physical inventory of the City's capital assets and update your depreciation schedule, if necessary, based on the results of that inventory.

We would be happy to help the City in the implementation of any of these suggestions. If you have any questions about our recommendations, please feel free to contact us. We appreciate your cooperation and we look forward to serving you in the future.

Sincerely,

CRANE, CHRISTENSEN & AMBROSE

Jeffrey L. Ambrose, CPA

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MAYOR
Brett Shelton

CITY ADMINISTRATOR
Glenn Wadsworth

CITY COUNCIL
Ms. Gertrude Tripp
Mr. Stephen Lawrence
Mr. Karl Jorgenson
Mr. Mike R. Crawford
Mr. Gary Bean

March 22, 2006

MacRay Curtis, CPA
Director, Local Government Division
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis

If reference to your letter dated March 6, 2006, with respect to non-compliance regarding fund balance limitations, the City of Wendover plans to build the excess ($179,255.00) into the budget for Road Construction during the years of 2006/2007. The City of Wendover Treasurer and City Administrator will be responsible for corrective action. Future compliance will also be the responsibility of the City Treasurer and City Administrator under the auspices of the City Auditor.

Sincerely,

Darlene Trammell

Darlene Trammell
City Treasurer

cc: Jeff Ambrose – City Auditor
File

100 South 9th Street P.O. Box 430 Wendover, Utah 84083 (435) 665-7030 Fax (435) 665-2523