CITY OF DELTA, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

CITY OF DELTA, UTAH
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2005

	Pages
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYIS	MDA-1 thru MDA-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	9-10
Statement of Net Assets – Proprietary Funds	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Notes to the Financial Statements	14-35
REQUIRED SUPPLEMENTARY INFORMATION:	
Modified Approach for Infrastructure Reporting	36-37
SUPPLEMENTARY INFORMATION:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	39

LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 11, 2005

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

Mayor and Council Members:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Delta, as of June 30, 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.

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The Management's Discussion and Analysis and other required supplementary information on pages MDA-1 through MDA-9 and 36 through 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2005, on our consideration of the City of Delta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Delta's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larson & Peterson

Larson & Peterson
Certified Public Accountants

CITY OF DELTA, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

As the management of the City of Delta, Utah, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of our municipality for the fiscal year ended June 30, 2005. We definitely encourage readers to consider the information presented herein in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Delta exceeded its liabilities at June 30, 2005 by $15,540,776. Of this amount, unrestricted net assets of $1,391,130 may be used to meet the City's ongoing obligations to citizens and creditors.

- The total net assets increased by $349,649 over the prior year. Of this amount $432,395 was associated with governmental activities and $(82,746) with business-type activities.

- At the close of the current fiscal year, the City of Delta's governmental funds reported combined ending fund balances of $1,321,256. Of this amount, $323,102 is unreserved and available for spending. The remaining $998,154 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 $221,889 or 13.28% 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 the City of Delta's basic financial statements. The City's basic financial statements are comprised of three components, they being: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was earlier noted, net assets may serve over a period of time as a useful indicator of a government's financial position. At June 30, 2005, the City's assets exceeded its liabilities by $15,540,776. The largest portion of the net assets, totaling ≈ 84.79% 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, 2005 and 2004

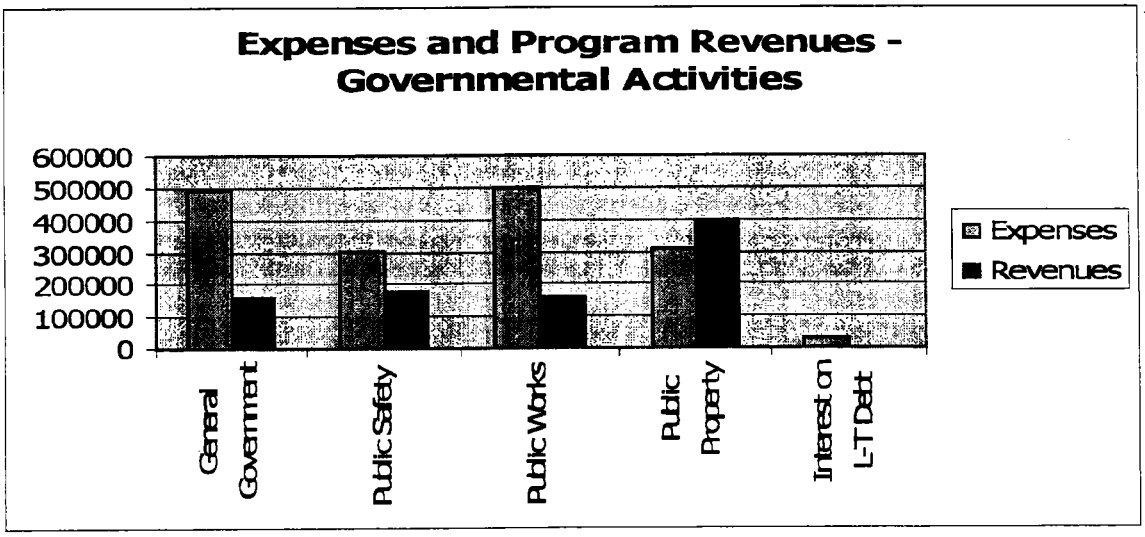
	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	1,393,490	1,424,358	1,060,803	1,006,394	2,454,293	2,430,752
Capital assets	11,498,972	11,118,049	2,441,315	2,572,227	13,940,287	13,690,276
Total assets	12,892,462	12,542,407	3,502,118	3,578,621	16,394,580	16,121,028
Other liabilities	145,659	170,977	21,419	15,176	167,078	186,153
Long-term liabilities outstanding	686,726	743,748	-	-	686,726	743,748
Total liabilities	832,385	914,725	21,419	15,176	853,804	929,901
Net assets:						
Invested in capital assets, net of related debt	10,735,412	10,297,740	2,441,315	2,572,227	13,176,727	12,869,967
Restricted	972,919	991,885	-	-	972,919	991,885
Unrestricted	351,746	338,057	1,039,384	991,218	1,391,130	1,329,275
Total net assets	12,060,077	11,627,682	3,480,699	3,563,445	15,540,776	15,191,127

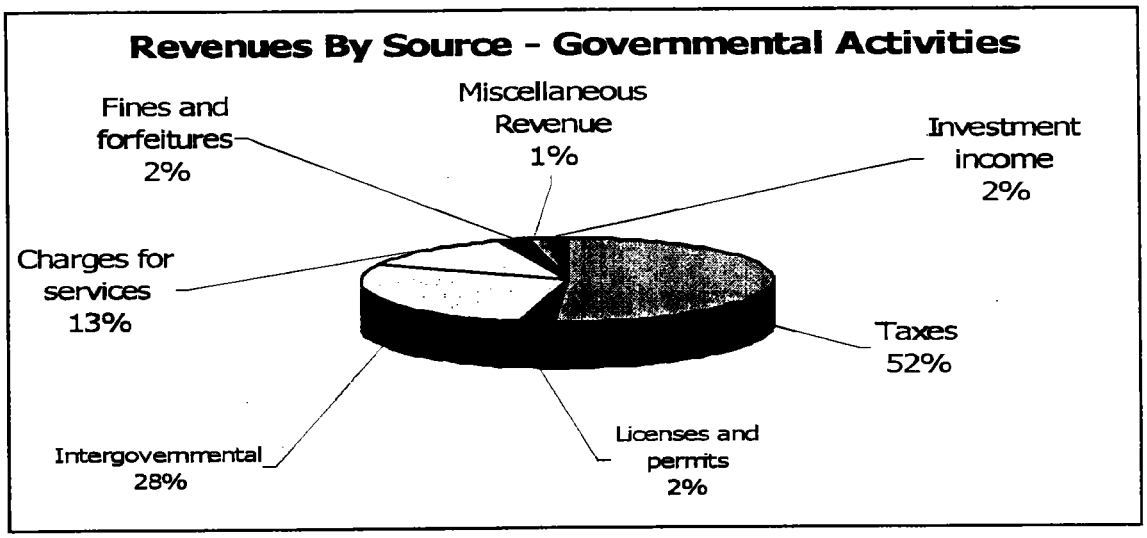
A portion of the net assets, totaling $972,919, or ≈ 6.26% represents resources that are subject to restrictions on their use. The balance of unrestricted net assets of $1,391,130, or ≈ 8.95% may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal 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, 2005 and 2004

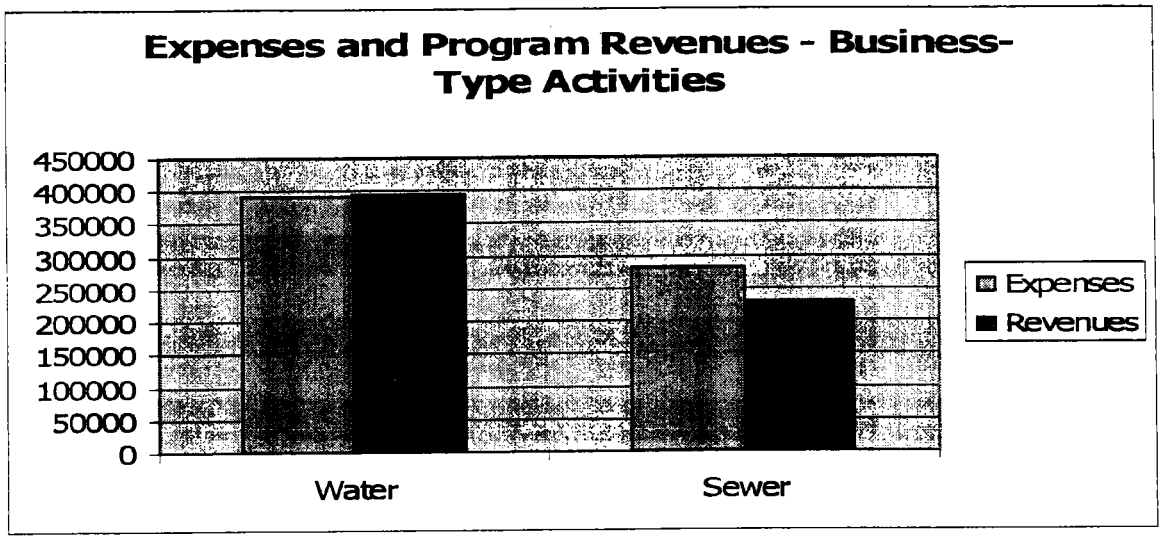
	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues:						
Charges for services	319,398	286,592	601,848	597,701	921,246	884,293
Operating grants and contributions	246,206	256,919	-	-	246,206	256,919
Capital grants and contributions	328,676	165,348	23,200	32,994	351,876	198,342
General revenues:						
Property taxes	306,087	371,243	-	-	306,087	371,243
Other taxes	733,267	661,733	-	-	733,267	661,733
Unrestricted investment earnings	33,610	-	24,084	12,660	57,694	12,660
Other	65,244	70,150	11,729	10,773	76,973	80,923
Total revenues	2,032,488	1,811,985	660,861	654,128	2,693,349	2,466,113
Expenses:						
General government	495,014	474,073	-	-	495,014	474,073
Public safety	300,554	256,436	-	-	300,554	256,436
Public health	-	-	-	-	-	-
Highways and public improvements	496,483	457,426	-	-	496,483	457,426
Parks and recreation	311,798	306,669	-	-	311,798	306,669
Interest on long-term debt	32,511	34,819	-	-	32,511	34,819
Water	-	-	392,787	371,604	392,787	371,604
Sewer	-	-	281,465	336,368	281,465	336,368
Total expenses	1,636,360	1,529,423	674,252	707,972	2,310,612	2,237,395
Increase in net assets before transfers	396,128	282,562	(13,391)	(53,844)	382,737	228,718
Transfers	36,267	-	(36,267)	-	-	-
Gain/loss on sale of assets	-	-	(33,088)	-	(33,088)	-
Increase in net assets	432,395	282,562	(82,746)	(53,844)	349,649	228,718
Net assets - beginning	11,627,682	11,345,120	3,563,445	3,617,289	15,191,127	14,962,409
Net assets - ending	12,060,077	11,627,682	3,480,699	3,563,445	15,540,776	15,191,127

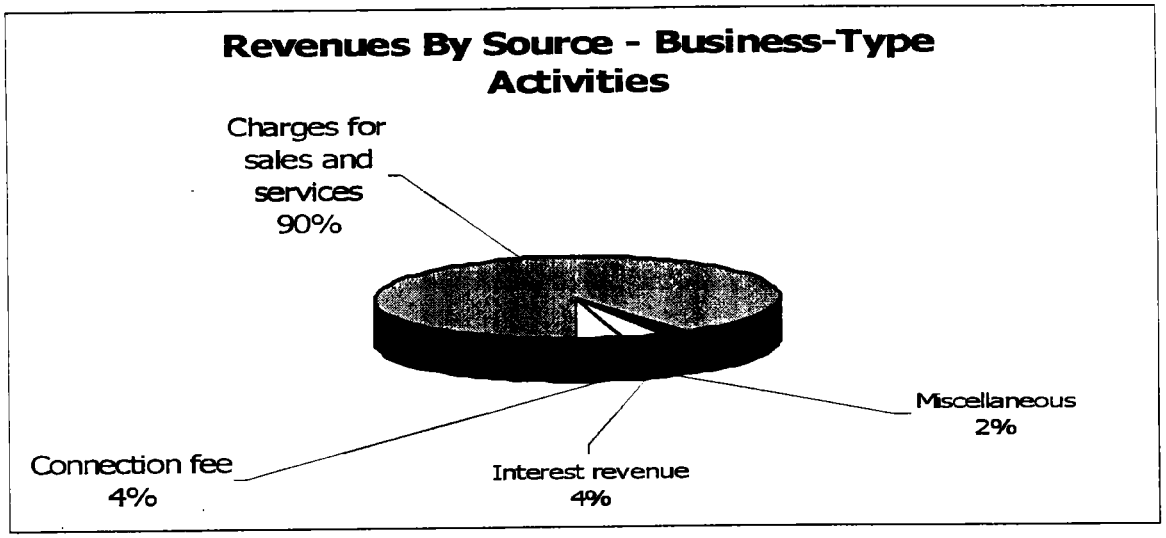
Governmental Activities – Governmental activities increased the City's net assets by $432,395. When combined with the $(82,746) decrease in net assets from business-type activities, the overall net assets increased by $349,649 or ≈ 2.25%. The graphs presented below contain regular operating revenues 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 $13,391 before transfers. When combined with the $396,128 that governmental activities added to net assets, the overall net assets increased by $382,737 before transfers. 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, the City of Delta uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2005 Delta City's governmental funds reported combined ending fund balances of $1,321,256. Of this balance, $323,102, or ≈ 24.45% is unreserved fund balance, which is available for spending at the discretion/designation of the government; this being $73,889 for capital projects, $27,314 for special revenue funds and $221,899 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 61.62% 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, 2005 for main fund was $414,339. The Municipal Airport Improvement fund, also deemed a major fund, had a fiscal year-ending fund balance of $7,015. The other major fund within the governmental activities group was the Debt Service fund, with a fiscal year-ending fund balance of $746,844 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 $766,052; while the total net assets amounted to $2,104,845, which included a $9,309 decrease in net assets during the fiscal year. The unrestricted net assets of the Sewer Fund totaled $273,332; while the total net assets amounted to $1,375,854, which incorporated a $73,437 decrease in net assets during the fiscal year. A large outlay of cash was made for sewer system maintenance equipment, one specifically being a used jet-vac truck and a contractual payment outlay for a complete cleaning of our sewer lines throughout the City during this fiscal year that comprised the majority of the operating loss that led to a decrease in net fund assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

The initially adopted General Fund budget for fiscal year 2005 was in the amount of $1,981,615 ($1,611,469 net of budgeted use of fund balances). The budget was subsequently amended to $2,013,135 ($1,647,429 net of budgeted use of fund balances). This increase in the General Fund budget amounted to $35,960. 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, 2005 amounted to $13,940,287 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles and infrastructure (roads, sidewalks, curb and gutter, service lines, etc.).

City of Delta's Capital Assets
(Net of Depreciation)

	Government Activities	Business-Type Activities	Total for 2004
Water Stock	-	302,024	302,024
Land	369,454	23,534	392,988
Buildings	959,162	1,958,571	2,917,733
Improvements other than Buildings	597,338	6,008	603,346
Equipment	190,997	151,178	342,175
Infrastructure	9,382,021	-	9,382,021
Total Assets	11,498,972	2,441,315	13,940,287

Long-Term Debt – At the end of the current fiscal year, the City has $738,379 in outstanding bonded debt consisting of an excise tax revenue bond and a general obligation bond. All of the bonded debt is secured by contractual investments or dedicated revenue streams.

City of Delta's Outstanding Debt

	Governmental Activities	Business-Type Activities	Totals
Excise Tax Revenue Bonds	$ 626,925	$	$ 626,925
General Obligation Bonds	111,454		111,454
Total	$ 738,379	$ -0-	$ 738,379

Delta City's bonded debt decreased by $54,827 during the current fiscal year. There were no new issues of indebtedness nor do we have any capital lease obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Economic conditions in Millard County and within the State of Utah are taken into consideration when weighing compensation issues and employee benefits – with a focus being on the fair and equitable treatment of our valued workforce along with insuring that the City's financial well-being remains intact and that all City services are being provided as needed. A 6% cost-of-living adjustment was allowed for Delta City's employees for fiscal year 2006, in addition to the City maintaining employee health insurance. The General Fund budget for fiscal year 2006 is $2,213,993 ($1,748,143 net of budgeted fund balances); $200,858 more ($100,714 more net of budgeted fund balances); than the final amended budget for fiscal year 2005. A final piece of property was finally acquired within the first few months of Fiscal Year 2006 for Delta's future Civic Center.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

City of Delta, Utah
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 299,396	$ 935,837	$ 1,235,233
Prepaid expenses	370	-	370
Utility billings receivable	13,187	76,750	89,937
Other receivable	126,973	-	126,973
Interest receivable	24,305	-	24,305
Inventory	25,235	43,675	68,910
Restricted assets:			
Cash and cash equivalents	219,455	-	219,455
Investments	689,110	-	689,110
Internal balances	(4,541)	4,541	-
Capital assets (net of accumulated depreciation):			
Water stock	-	302,024	302,024
Land	369,454	23,534	392,988
Buildings	959,162	1,958,571	2,917,733
Improvements other than buildings	597,338	6,008	603,346
Equipment	190,997	151,178	342,175
Infrastructure	9,382,021	-	9,382,021
Total assets	12,892,462	3,502,118	16,394,580
LIABILITIES			
Accrued liabilities	63,458	8,628	72,086
Deferred revenue	-	12,791	12,791
Bond interest payable	25,181	-	25,181
Revenue bonds payable - Due within one year	57,020	-	57,020
Revenue bonds payable - Due in more than one year	681,359	-	681,359
Compensated absences	5,367	-	5,367
Total liabilities	832,385	21,419	853,804
NET ASSETS			
Invested in capital assets, net of related debt	10,735,412	2,441,315	13,176,727
Restricted for:			
Library trust	33,635	-	33,635
Road improvements	168,029	-	168,029
Debt service	746,844	-	746,844
Fire department	24,411	-	24,411
Unrestricted	351,746	1,039,384	1,391,130
Total net assets	$ 12,060,077	$ 3,480,699	$15,540,776

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, 2005

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets, Primary Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Assets, Primary Government: Business-type Activities	Net (Expense) Revenues and Changes in Net Assets, Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 495,014	$ 160,001	$ -	$ -	$ (335,013)	$ -	$ (335,013)
Public safety	300,554	86,867	89,851	-	(123,836)	-	(123,836)
Public works	496,483	8,211	152,814	-	(335,458)	-	(335,458)
Parks, recreation and public property	311,798	64,319	3,541	328,676	84,738	-	84,738
Interest on long-term debt	32,511	-	-	-	(32,511)	-	(32,511)
Total governmental activities	1,636,360	319,398	246,206	328,676	(742,080)	-	(742,080)
Business-type activities:							
Water	392,787	382,261	-	12,800	-	2,274	2,274
Sewer	281,465	219,587	-	10,400	-	(51,478)	(51,478)
Total business-type activities	674,252	601,848	-	23,200	-	(49,204)	(49,204)
Total primary government	2,310,612	921,246	246,206	351,876	(742,080)	(49,204)	(791,284)
General revenues:							
Property taxes					306,087	-	306,087
Sales taxes					709,813	-	709,813
Franchise taxes					23,454	-	23,454
Unrestricted investment earnings					33,610	24,084	57,694
Miscellaneous					65,244	11,729	76,973
Gain/(Loss) on sale of fixed assets					-	(33,088)	(33,088)
Transfers					36,267	(36,267)	-
Total general revenues and transfers					1,174,475	(33,542)	1,140,933
Change in net assets					432,395	(82,746)	349,649
Net assets - beginning					11,627,682	3,563,445	15,191,127
Net assets - ending					$ 12,060,077	$ 3,480,699	$ 15,540,776

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

City of Delta, Utah
Balance Sheet
Governmental Funds
June 30, 2005

	General Fund	Municipal Airport Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 138,144	$ -	$ 33,429	$ 127,823	$ 299,396
Prepaid expenses	370	-	-	-	370
Receivables (net):					
Utility billings	13,187	-	-	-	13,187
Other	126,973	-	-	-	126,973
Due from other funds	20,000	-	-	-	20,000
Investments	-	-	689,110	-	689,110
Interest receivable	-	-	24,305	-	24,305
Inventory	-	-	-	25,235	25,235
Restricted cash and cash equivalents	192,440	27,015	-	-	219,455
Total assets	$ 491,114	$ 27,015	$ 746,844	$ 153,058	$ 1,418,031
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	$ 4,541	$ 20,000	$ -	$ -	$ 24,541
Accrued liabilities	63,458	-	-	-	63,458
Deferred revenue - Customer deposits	8,776	-	-	-	8,776
Total liabilities	76,775	20,000	-	-	96,775
Fund balances:					
Reserved for:					
Library trust	-	-	-	33,635	33,635
Inventories	-	-	-	25,235	25,235
Road improvements	168,029	-	-	-	168,029
Fire department	24,411	-	-	-	24,411
Debt service fund	-	-	746,844	-	746,844
Unreserved, reported in:					
General fund	221,899	-	-	-	221,899
Special revenue funds	-	-	-	27,314	27,314
Capital projects fund	-	7,015	-	66,874	73,889
Total fund balances	414,339	7,015	746,844	153,058	1,321,256
Total liabilities and fund balances	$ 491,114	$ 27,015	$ 746,844	$ 153,058	$ 1,418,031

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

City of Delta, Utah
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005

Total fund balances - governmental fund types:	$ 1,321,256
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,498,972
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(768,927)
Liability for earned, but deferred revenue.	8,776
Net assets of governmental activities	$ 12,060,077

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, 2005

	General Fund	Municipal Airport Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 1,029,830	$ -	$ 9,524	$ -	$ 1,039,354
Licenses and permits	50,377	-	-	-	50,377
Intergovernmental	245,945	172,876	-	155,800	574,621
Charges for services	264,708	-	-	-	264,708
Fines and forfeitures	46,082	-	-	-	46,082
Miscellaneous revenue	26,780	-	-	-	26,780
Investment income (loss)	7,511	190	23,168	2,741	33,610
Total revenues	1,671,233	173,066	32,692	158,541	2,035,532
EXPENDITURES					
Current:					
General government	524,818	-	-	-	524,818
Public safety	298,840	-	-	-	298,840
Highways and public improvements	531,883	-	-	10,161	542,044
Parks, recreation, and public property	284,690	-	-	3,011	287,701
Capital outlay	-	179,374	-	151,995	331,369
Debt service:					
Principal retirement	-	-	54,827	-	54,827
Interest and fiscal charges	-	-	34,433	-	34,433
Total expenditures	1,640,231	179,374	89,260	165,167	2,074,032
Excess revenues over (under) expenditures	31,002	(6,308)	(56,568)	(6,626)	(38,500)
Other financing sources (uses)					
Transfers in	36,267	20,000	13,078	-	69,345
Transfers out	(33,078)	-	-	-	(33,078)
Total other financing sources and uses	3,189	20,000	13,078	-	36,267
Excess of revenues and other sources over (under) expenditures and other uses	34,191	13,692	(43,490)	(6,626)	(2,233)
Fund balances - beginning of year	380,148	(6,677)	790,334	159,684	1,323,489
Fund balances - end of year	$ 414,339	$ 7,015	$ 746,844	$ 153,058	$ 1,321,256

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, 2005

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

Net changes in fund balances - total governmental funds	$ (2,233)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	380,923
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.	(3,044)
Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets:	
Payment of Bond Principal	54,827
Expenditures are recognized in the governmental funds when paid or due for: items no normally paid with available financial resources and interest on long term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:	
Accrued Interest on Bonds Payable	1,922
Change in net assets of governmental activities	$ 432,395

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 Balance -- Budget and Actual

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Ad valorem property taxes	$ 234,545	$ 234,545	$ 207,745	$ (26,800)
Fee-in-lieu of taxes	65,300	65,300	81,704	16,404
Prior years' delinquent property taxes	15,750	5,000	7,114	2,114
General sales and use taxes	520,000	530,000	541,643	11,643
Municipal energy fees	135,000	136,000	168,170	32,170
Franchise fees	-	21,800	23,454	1,654
Total Taxes	970,595	992,645	1,029,830	37,185
Licenses and Permits:				
Business licenses	21,500	22,500	22,656	156
Building permits	20,050	22,010	25,798	3,788
Animal licenses and fees	1,400	1,700	1,923	223
Total Licenses and Permits	42,950	46,210	50,377	4,167
Intergovernmental Revenue:				
Class "C" road funds	175,916	152,814	152,814	-
State liquor funds	4,000	3,950	3,950	-
Fire department O&M - MCFSD	58,500	58,500	58,500	-
State library grant	3,280	3,280	3,280	-
LSCA technology grant	27,500	16,227	9,022	(7,205)
Title V grant	-	16,150	6,670	-
FEMA grant	-	16,000	11,709	-
Total Intergovernmental Revenue	269,196	266,921	245,945	(7,205)
Charges for Services:				
Wildland fire protection reimbursement	1,000	6,475	6,475	-
Fire truck service fees	-	2,160	2,902	742
Crosswalk guards reimbursement	9,000	9,000	9,000	-
Subdivision improvement fees	1,000	100	-	(100)
Municipal lease & rental fees	12,000	13,000	11,779	(1,221)
Airport fuel taxes	600	130	261	131
Irrigation/ditch tax & rental	6,500	6,500	3,611	(2,889)
Zoning and subdivision fees	1,000	200	185	(15)
Millard County landfill use fees	137,500	137,500	137,345	(155)
Audit reimbursement - sewer	4,000	2,363	2,363	-
Audit reimbursement - water	5,000	2,532	2,531	(1)
Water enterprise office rent	4,600	4,600	4,600	-
Admin reimbursement - sewer	15,000	15,000	15,000	-
Admin reimbursement - water	20,000	20,000	20,000	-
Airport aviation fuel sales	44,655	53,300	48,656	(4,644)
Total Charges for Services	261,855	272,860	264,708	(8,152)
Fines and Forfeitures:				
Court fines	25,100	28,010	35,677	7,667
Small claims fees	1,500	600	970	370
Library fines and fees	8,000	7,000	7,384	384
Motor carrier fees	-	1,558	2,051	493
Total Fines and Forfeitures	34,600	37,168	46,082	8,914
Miscellaneous:				
Health Ins Reimbursement - Firemen	8,940	5,592	6,568	976
Health Ins Reimbursement - Non Firemen	11,698	11,710	10,734	(976)
Interest	3,285	7,123	7,511	388
Utilities - state bookmobile	600	600	600	-
Delta area youth council	1,500	100	-	(100)
West Millard youth court	1,000	1,250	1,430	180
Miscellaneous	5,250	5,250	7,448	2,198
Total Miscellaneous	32,273	31,625	34,291	2,666
Total Revenues	$ 1,611,469	$ 1,647,429	$ 1,671,233	$ 37,575

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 Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures:				
General Government:				
Mayor and council	$ 49,013	$ 120,097	$ 93,066	$ (27,031)
Judicial	51,291	48,098	41,063	(7,035)
Treasurer	51,350	51,686	48,144	(3,542)
Recorder/Finance Director	158,497	153,304	141,328	(11,976)
Attorney	94,433	98,457	92,894	(5,563)
City Hall	123,630	119,880	108,323	(11,557)
Total General Government	528,214	591,522	524,818	(66,704)
Public Safety:				
Law enforcement	192,422	188,621	187,482	(1,139)
Animal control	23,781	19,355	16,968	(2,387)
Building inspection	10,300	13,350	12,149	(1,201)
Fire department	73,605	98,640	82,241	(16,399)
Total Public Safety	300,108	319,966	298,840	(21,126)
Highways and Public Improvements:				
Streets	593,326	531,639	390,091	(141,548)
County landfill	134,000	135,500	133,375	(2,125)
Irrigation system	13,987	13,771	8,417	(5,354)
Total highways and public improvements	741,313	680,910	531,883	(149,027)
Parks, Recreation and Public Property				
Parks	78,076	96,766	86,789	(9,977)
Library	155,872	126,413	126,155	(258)
Celebrations	24,362	28,211	19,046	(9,165)
Municipal airport	60,750	66,269	52,700	(13,569)
Total parks, recreation and public property	319,060	317,659	284,690	(32,969)
Total expenditures - general fund	1,888,695	1,910,057	1,640,231	(269,826)
Excess Revenues Over (Under) Expenditures	(277,226)	(262,628)	31,002	307,401
Other Financing Sources (Uses):				
Transfers In	-	-	36,267	36,267
Transfers (Out)	(92,920)	(103,078)	(33,078)	70,000
Total other financing sources (uses)	(92,920)	(103,078)	3,189	106,267
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(370,146)	(365,706)	34,191	399,897
Fund Balance - Beginning of Year	380,148	380,148	380,148	
Fund Balance - End of Year	$ 10,002	$ 14,442	$ 414,339	$ 399,897

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, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash	$ 692,569	$ 243,268	$ 935,837
Receivables (net)			
Utilities	55,545	21,205	76,750
Due from other funds	732	3,809	4,541
Inventory	37,639	6,036	43,675
Total current assets	786,485	274,318	1,060,803
Noncurrent assets:			
Water stock	302,024	-	302,024
Land	11,767	11,767	23,534
Equipment, buildings and improvements	2,365,530	2,663,069	5,028,599
Less: Accumulated depreciation	(1,340,528)	(1,572,314)	(2,912,842)
Total noncurrent assets	1,338,793	1,102,522	2,441,315
Total assets	2,125,278	1,376,840	3,502,118
LIABILITIES			
Current liabilities:			
Accrued liabilities	7,642	986	8,628
Deferred revenue - Customer deposits	12,791	-	12,791
Total current liabilities	20,433	986	21,419
Total liabilities	20,433	986	21,419
NET ASSETS			
Invested in capital assets, net of related debt	1,338,793	1,102,522	2,441,315
Unrestricted	766,052	273,332	1,039,384
Total net assets	$ 2,104,845	$ 1,375,854	$ 3,480,699

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, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for sales and services	$ 382,261	$ 219,587	$ 601,848
Miscellaneous	10,779	950	11,729
Total operating revenues	393,040	220,537	613,577
Operating expenses:			
Employee salaries	108,733	77,537	186,270
Employee benefits	49,023	45,921	94,944
Professional Services	13,101	4,501	17,602
Office Supplies	11,807	1,642	13,449
Materials and Supplies	24,437	12,234	36,671
Utilities	42,674	7,296	49,970
Telephone	1,909	2,009	3,918
Repairs and maintenance	17,004	36,437	53,441
Depreciation	85,405	69,927	155,332
Bad debts	1,434	305	1,739
Travel and Training	1,899	1,410	3,309
Insurance	10,761	7,246	18,007
Administrative Charges	20,000	15,000	35,000
Rental	4,600	-	4,600
Total operating expenses	392,787	281,465	674,252
Operating income	253	(60,928)	(60,675)
Nonoperating revenues (expenses):			
Interest revenue	17,390	6,694	24,084
Gain/(Loss) on sale of fixed assets	(22,161)	(10,927)	(33,088)
Connection Fees	12,800	10,400	23,200
Transfers in/(out)	(17,591)	(18,676)	(36,267)
Total nonoperating revenues (expenses)	(9,562)	(12,509)	(22,071)
Income (loss)	(9,309)	(73,437)	(82,746)
Change in net assets	(9,309)	(73,437)	(82,746)
Total net assets - beginning	2,114,154	1,449,291	3,563,445
Total net assets - ending	$ 2,104,845	$ 1,375,854	$ 3,480,699

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

City of Delta, Utah
Statement of Cash Flows
Proprietary Funds and Internal Service Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from customers	$ 377,598	$ 218,914	$ 596,512
Miscellaneous receipts	10,779	950	11,729
Payments to suppliers	(137,902)	(89,433)	(227,335)
Payments to employees	(157,757)	(123,459)	(281,216)
Net cash provided (used) by operating activities	92,718	6,972	99,690
Cash Flows From Noncapital Financing Activities			
	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(26,077)	(72,196)	(98,273)
Proceeds from sale of fixed assets	4,500		
Connection fees collected	12,800	10,400	23,200
Net cash provided (used) by capital and related financing activities	(8,777)	(61,796)	(75,073)
Cash Flows From Investing Activities			
Interest and dividends received	17,390	6,694	24,084
Net cash provided (used) by investing activities	17,390	6,694	24,084
Net increase (decrease) in cash and cash equivalents	101,331	(48,130)	53,201
Cash and cash equivalents, July 1	591,238	291,398	882,636
Cash and cash equivalents, June 30	692,569	243,268	935,837
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	253	(60,928)	(60,675)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	85,405	69,927	155,332
(Increase) decrease in accounts receivable	(4,663)	(673)	(5,336)
(Increase) decrease in due from other funds	13,567	(3,809)	9,758
(Increase) decrease in inventories	(9,161)	3,531	(5,630)
Increase (decrease) in accrued liabilities	(202)	83	(119)
Increase (decrease) in due to other funds	-	(1,159)	(1,159)
Increase (decrease) in customer deposits	7,519	-	7,519
Total adjustments	92,465	67,900	160,365
Net cash provided (used) by operating activities	$ 92,718	$ 6,972	$ 99,690

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

CITY OF DELTA, UTAH
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

INDEX

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
A.	Financial Reporting Entity
B.	Basis of Presentation
C.	Measurement Focus and Basis of Accounting
D.	Assets, Liabilities, and Equity
E.	Revenues, Expenditures, and Expenses
NOTE 2.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
A.	Fund Accounting Requirements
B.	Deposits and Investments Laws and Regulations
C.	Revenue Restrictions
D.	Debt Restrictions and Covenants
E.	Fund Equity Restrictions
F.	Budgetary Basis of Accounting
NOTE 3.	DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS
A.	Cash and Investments
B.	Restricted Assets
C.	Accounts Receivable
D.	Capital Assets
E.	Accounts Payable
F.	Long-term Debt
G.	Interfund Transactions and Balances
H.	Fund Equity
NOTE 4.	OTHER NOTES
A.	Employee Pension and Other Benefit Plans
B.	Risk Management
C.	Administration Charges, General Services, and Contributions From Other Funds

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

The City's financial reporting entity comprises the following:

Primary Government:	City of Delta
Component Units:	None

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:
The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

Permanent Fund

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

Proprietary Fund

Enterprise Fund

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

Major and Nonmajor Funds

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

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. The City of Delta does not currently have any funds classified as agency funds.

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

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

(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.

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 taxes, utility billings, and inter-fund transactions. Business-type activities report utilities as their major receivables.

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

earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

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

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

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

Prior to July 1, 2004, not all governmental funds' infrastructure assets were not capitalized. The City's streets and right of way assets are now capitalized and included as part of the governmental funds' infrastructure assets. The City has capitalized road improvements and road rehabilitation as the value of its roads. Historical values for the City's other infrastructure have been determined by calculating length, miles, or acres and then using an average cost factor to determine the historical value to be capitalized as the value for the infrastructure.

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

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

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

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

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

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

Compensated Absences
It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general fund. No expenditure is reported for these amounts.

Equity Classifications

Government-wide Statements
Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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 receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as

revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

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

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

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

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

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

Proprietary Fund—By Operating and Non-operating

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

significant laws and regulations and demonstration of its stewardship over City resources follows.

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:

Fund	Required By
Library Trust Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City funds. Deposits are not collateralized, nor are they required to be by State statute.

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

The Utah Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America, repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements, or certain other investments.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are

held by the broker's or dealers trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the City's name. The City currently has no investments that are required to be categorized.

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

2.C. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
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, 2005, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt
No debt in excess of total revenue for the current year shall be created by any city unless the proposition to create such debt shall have been submitted to a vote of qualified electors. Cities shall not contract for debt to an amount exceeding four percent of the fair market value of taxable property in their jurisdictions. For the year ended June 30, 2005, the City had $738,379 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, 2005, 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, 2005.

Requirement **Level of Compliance**

Road Improvement Bond

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

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

Library Bond

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

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition
Utah Code 10-6-116(4) indicates that only the "fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes." The remaining 5% must be maintained as a minimum fund balance. The maximum in the general fund may not exceed 18% of the total estimated revenue of the general fund (10-6-116(2)).

2.F. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues,

Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund, the municipal airport fund and the debt service fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3.A. CASH AND INVESTMENTS

Deposits
As of June 30, 2004 and 2005, bank balances totaled $665,047 and $686,978 respectively. The carrying amount on the City's books was $584,581 and $634,542 respectively. These deposits were covered by Federal Depository Insurance up to $133,429 as of June 30, 2004 and up to $133,480 as of June 30, 2005.

Investments
The City has investments with the Utah Public Treasurers' Fund (PTIF) which are not subject to categorization. The carrying amount and market value of the investments at June 30, 2004 and 2005, were $738,959 and $819,719 respectively.

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

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

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

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

Investments at June 30, 2005, were categorized as follows:

	Category			Reported Amount/
	1	2	3	Fair Value
U.S. Government Securities	$ 689,110	$ -	$ -	$ 689,110
Total	$ 689,110	$ -	$ -	689,110

Investments not subject to categorization:	
Investment in Utah State Treasurers' Investment Fund	819,721
Total Investments	$ 1,508,831

Reconciliation to Government-wide Statement of Net Assets:		
Investments		$ 1,508,831
Cash on Hand		425
Deposits		634,542
	Total	$ 2,143,798

Per Statement of Net Assets:		
Cash and cash equivalents		$ 1,235,233
Restricted cash and cash equivalents		219,455
Restricted investments		689,110
	Total	$ 2,143,798

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2005, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
Business-Type Activities:				
None	$ -	$ -	$ -	$ -
Total	-	-	-	-
Governmental Activities:				
Road Enchroachment Fees	6,585	-	-	6,585
Debt Service	-	689,110	-	689,110
Class C Roads	161,444	-	-	161,444
Fire Department O&M	24,411	-	-	24,411
Runway Rehabilitation	27,015	-	-	27,015
Total	219,455	689,110	-	908,565
Grand Totals	$ 219,455	$ 689,110	$ -	$ 908,565

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable from the water and sewer utilities. Accounts receivable of the governmental activities consist of landfill billings (9%) and taxes (91%) receivables. Receivables detail at June 30, 2005, is as follows:

	Governmental Activities	Business-Type Activities	Total
Utility Billings:			
Landfill	$ 13,187	$ -	$ 13,187
Water	-	55,545	55,545
Sewer	-	21,205	21,205
Other:			
Taxes	126,973	-	126,973
Allowance for Doubtful Accounts	-	-	-
Net Accounts Receivable	$ 140,160	$ 76,750	$ 216,910

3.D. CAPITAL ASSETS

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

	Balance at July 1, 2004	Additions	Transfers/ Disposals	Balance at June 30, 2005
Governmental Activities:				
Land	$ 321,024	$ 48,430		$ 369,454
Buildings	1,532,742		7,122	1,539,864
Other Improvements	355,254	334,200		689,454
Equipment	921,708	77,442	73,871	1,073,021
Infrastructure	9,382,021			9,382,021
Totals at historical cost	12,512,749	460,072	80,993	13,053,814
Less Accum. Depreciation				
Buildings	(537,191)	(38,297)	(5,215)	(580,703)
Other Improvements	(67,350)	(24,765)		(92,115)
Equipment	(790,157)	(52,354)	(39,511)	(882,022)
Total Accum. Depreciaiton	(1,394,698)	(115,416)	(44,726)	(1,554,840)
Governmental Activities capital assets, net	11,118,051	344,656	36,267	11,498,974
Business-type activities:				
Land	23,534			23,534
Buildings & System	45,862		(8,765)	37,097
Other Improvements	41,623		(22,380)	19,243
Machinery & Equipment	422,348	31,500	(130,033)	323,815
Vehicles	89,190	66,773	(26,461)	129,502
Utility Plant	1,851,251		(13,292)	1,837,959
Contributed Capital Assets	2,680,982			2,680,982
Water Rights	302,024			302,024
Totals at historical cost	5,456,814	98,273	(200,931)	5,354,156
Less Accum. Depreciation				
Buildings & System	(31,775)	(838)	6,342	(26,271)
Other Improvements	(23,205)	(2,233)	12,203	(13,235)
Machinery & Equipment	(278,662)	(32,212)	77,427	(233,447)
Vehicles	(86,902)	(5,963)	24,173	(68,692)
Utility Plant	(1,053,768)	(62,209)	7,051	(1,108,926)
Contributed Capital Assets	(1,410,271)	(51,999)		(1,462,270)
Total Accum. Depreciaiton	(2,884,583)	(155,454)	127,196	(2,912,841)
Business-type activities capital assets, net	$ 2,572,231	$ (57,181)	$ (73,735)	$ 2,441,315

Depreciation expense was charged to governmental activities as follows:

General government:	
General government	$ 26,619
Public Safety	1,714
Public Works	45,705
Parks and Public Property	41,178
Total depreciation expense	$115,216

3.E. ACCOUNTS PAYABLE

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

3.F. LONG-TERM DEBT

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

Governmental Activities:
As of June 30, 2005, the City had the following governmental long-term debt:

General Obligation & Revenue Bonds:

Road Improvement Bond, Dated 1984 4.5%, (original amount $1,300,000)	$ 626,925
General Obligation Natural Gas Refunding Bonds, Dated 1999 3%, (Original amount $143,990)	111,454
Total General Long-Term Debt	$ 738,379

Business-type Activities:
As of June 30, 2005, the City had no long-term debt payable in its proprietary funds.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

Type of Debt	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Due Within One Year	$ -	$ -	$ -	-
Government-type Activities:				-
Notes Payable	793,206		(54,827)	738,379
Total Government Fund Debt	$ 793,206	$ -	$ (54,827)	$ 738,379

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, 2005, are as follows:

Year Ending June 30	Government-type Activities Notes Payable	
	Principal	Interest
2006	57,022	31,664
2007	59,318	29,188
2008	62,718	26,608
2009	65,225	23,891
2010	67,845	21,061
2011-2015	385,798	58,415
2016-2021	40,453	4,188
Total	$ 738,379	$ 195,015

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

Description	Transfers Out	Transfers In
Road Bond Funding	$ -	$ 13,078
Municipal Airport Imp	-	20,000
General Fund	-	36,267
Water Fund	17,591	-
Sewer Fund	18,676	-
Class C transfer In	13,078	-
Runway Rehabilitation	20,000	-
	$ 69,345	$ 69,345

	Administrative Charges Paid	Administrative Charges Received
Audit Reimbursement - Sewer	$ 2,363	$ -
Audit Reimbursement - Water	2,532	-
Water Fund Office Rent	4,600	-
Admin Reimbursement - Sewer	15,000	-
Admin Reimbursement - Water	20,000	-
Water Fund Rent	-	4,600
Admin Reimb to General	-	20,000
Audit	-	2,532
Admin Reimb to General	-	15,000
Audit	-	2,363
Total Transfers	$ 44,495	$ 44,495

The City had the following interfund receivable and payable balances as of June 30, 2005:

	Receivable	Payable
General Fund	$ 20,000	$ 4,541
Runway Rehabilitation Fun	-	20,000
Water Fund	732	-
Sewer Fund	3,809	-
Totals	$ 24,541	$ 24,541

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 10,735,412	$ 2,441,315	$ 13,176,727
Restricted for:			
Library Trust	33,635		33,635
Road Improvements	168,029		168,029
Debt Service	746,844		746,844
Fire Department	24,411		24,411
Unrestricted (Deficit)	351,746	1,039,384	1,391,130
Total Net Assets	$ 12,060,077	$ 3,480,699	$ 15,540,776

NOTE 4. OTHER NOTES

4A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The City participates in the following employee pension systems:

Local Governmental - Cost Sharing Defined Benefits Pension Plans

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

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

Funding Policy. The City is required to contribute a percentage of covered salary to the respective systems, 11.090%. 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, 2005, 2004, and 2003 were; for the Noncontributory System $45,917, $38,940, and $33,846.

401(k) Plan
The employees of Delta City also participate in a 401(k) deferred compensation plan. The amount of the employer's contributions for the years ending June 30, 2005, 2004, and 2003 were, $12,877, $12,589, and $12,113.

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased comprehensive general liability insurance through the Utah Local Governments Trust. The City pays premiums to the Trust for its general insurance coverage, automobile liability, and personal injury protection. The Trust is self-sustaining through member premiums. The City is subject to a minimal deductible for claims.

4.C. 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.

REQUIRED
SUPPLEMENTARY INFORMATION

MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING

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

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

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

The asset management system will provide:

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

Roads

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

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

Condition Level

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

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

Rating	2005	2004	2003	2002
Fair or Better	97.3	97.3	97.3	97.3
Poor - Very Poor	2.7	2.7	2.7	2.7

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

Fiscal Year	Estimated Spending	Actual Spending
2005	261,860	128,685
2004	234,667	114,665
2003	262,416	186,890
2002	229,155	87,887

SUPPLEMENTARY INFORMATION

City of Delta, Utah
Combining Balance Sheet for Governmental Nonmajor Funds
June 30, 2005

	Special Revenue Fund	Permanent fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Street Lighting	Library Trust	Equipment Acquisition	Streets and Drainage	Complex Renovation	
ASSETS						
Cash and cash equivalents	$ 27,314	$ 33,635	$ 14,953	$ 22,493	$ 29,428	$ 127,823
Investments - restricted						-
Due from other funds				-		-
Inventory	-	-	-	25,235	-	25,235
Total assets	$ 27,314	$ 33,635	$ 14,953	$ 47,728	$ 29,428	$ 153,058
LIABILITIES AND FUND BALANCES						
Liabilities:						
	$ -	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-	-
Fund balances:						
Reserved for:						
Library trust	-	33,635	-	-	-	33,635
Inventories	-	-	-	25,235	-	25,235
Unreserved, reported in:						
Special revenue funds	27,314	-	-	-	-	27,314
Capital project funds	-	-	14,953	22,493	29,428	66,874
Total fund balances	27,314	33,635	14,953	47,728	29,428	153,058
Total liabilities & fund balance	$ 27,314	$ 33,635	$ 14,953	$ 47,728	$ 29,428	$ 153,058

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, 2005

	Special Revenue Fund	Permanent Fund	Capital Project Funds			Total Nonmajor Governmental Funds
	Street Lighting	Library Trust	Equipment Acquisition	Streets and Drainage	Complex Renovation	
REVENUES:						
Investment earnings	$ 656	$ 820	$ 371	$ 403	$ 491	$ 2,741
Intergovernmental revenue	-	-	-	-	155,800	155,800
Total	656	820	371	403	156,291	158,541
EXPENDITURES:						
Parks, recreation and public property	-	3,011	-	-	-	3,011
Highways and public improvements	-	-	-	10,161	-	10,161
Capital outlay	-	-	4,000	-	147,995	151,995
Total	-	3,011	4,000	10,161	147,995	165,167
Excess of revenues over (under) expenditures	656	(2,191)	(3,629)	(9,758)	8,296	(6,626)
Excess of revenues and other sources over (under) expenditures and other uses	656	(2,191)	(3,629)	(9,758)	8,296	(6,626)
Fund Balances - Beginning of year	26,658	35,826	18,582	57,486	21,132	159,684
Fund Balances - End of year	$ 27,314	$ 33,635	$ 14,953	$ 47,728	$ 29,428	$ 153,058

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

CITY OF DELTA, UTAH

INDEPENDENT AUDITORS REPORT
IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS
INDEPENDENT AUDITORS' REPORT
ON LEGAL COMPLIANCE
MANAGEMENT LETTER
JUNE 30, 2005

CITY OF DELTA, UTAH
TABLE OF CONTENTS
JUNE 30, 2005

	Pages
***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*	1-2
STATE COMPLIANCE REPORT	
Independent Auditors' Report on Legal Compliance with Applicable Utah State Laws and Regulations	3-4
MANAGEMENT LETTER	
Current Year Findings	5
Status of Prior Year Findings	6

GOVERNMENT AUDITING STANDARDS REPORT

LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

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

August 11, 2005

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

Mayor and Council Members:

We have audited the accompanying basic financial statements of the City of Delta, Utah (herein referred to as the "City"), as of and for the year ended June 30, 2005, and have issued our report thereon dated August 11, 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's financial statements are free of material misstatement, we performed tests of the its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters
in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

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components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

Larson & Peterson

Larson & Peterson
Certified Public Accountants

STATE COMPLIANCE REPORT

LARSON & PETERSON
CERTIFIED PUBLIC ACCOUNTANTS

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

August 11, 2005

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

Mayor and Council Members:

We have audited the basic financial statements of the City of Delta, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 11, 2005. As part of our audit, we have audited the City of Delta's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

Class "C" Road
Liquor Law Enforcement

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

Public Debt
Purchasing Requirements
Truth in Taxation & Property Tax Limitations
Other General Compliance Requirements
Asset Forfeiture
Cash Management
Budgetary Compliance
Justice Courts Compliance
Uniform Building Code

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

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

In our opinion, the City of Delta, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Larson & Peterson

Larson & Peterson
Certified Public Accountants

MANAGEMENT LETTER

CURRENT YEAR FINDINGS

None Noted.

STATUS OF PRIOR YEAR FINDINGS

STATE COMPLIANCE FINDINGS

FINDING – BUDGETED REVENUES

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

RECOMMENDATION

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

STATUS OF PRIOR YEAR FINDING

No problems noted in current audit.

FINDING – DEFICIT FUND BALANCE

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

RECOMMENDATION

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

STATUS OF PRIOR YEAR FINDING

No problems noted in current audit.