CITY OF DELTA, UTAH
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

CITY OF DELTA, UTAH
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YEAR ENDED JUNE 30, 2006

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LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 11, 2006

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund 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-8 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, 2006, 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 & Company

Larson & Company
Certified Public Accountants

CITY OF DELTA, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

As the management of the City of Delta, Utah, we are pleased offer readers of the City's financial statements this narrative overview and analysis of the financial activities of our municipality for the fiscal year ended June 30, 2006. We wish to encourage those who would read this document to consider the information presented herein in conjunction with the financial statements in our focus to provide a more informative illustration of our financial position and operations.

FINANCIAL HIGHLIGHTS

- The assets of the City of Delta exceeded its liabilities at June 30, 2006 by $16,060,510. Of this amount, unrestricted net assets of $1,536,902 may be used to meet the City's ongoing obligations to citizens and creditors.

- The total net assets increased by $519,734 over the prior year. Of this amount $469,884 was associated with governmental activities and $49,850 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 $1,278,205. Of this amount, $321,810 is unreserved and available for spending. The remaining $956,395 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 $255,531 or 13.56% of current year revenues, which is in compliance with § 10-6-116(2) Utah Code Annotated, 1953, as amended. We have consistently ended our fiscal operations with our unreserved fund balance within the 12-15% range for many years, and realize the value of having sufficient funds available to maintain operations without interruption until new fiscal year revenue streams begin to be realized.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to 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. The funds of the City of Delta can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Proprietary Funds – 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.

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, 2006, the City's assets exceeded its liabilities by $16,060,510. The largest portion of the net assets, totaling ≈ 84.63% 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, 2006 and 2005

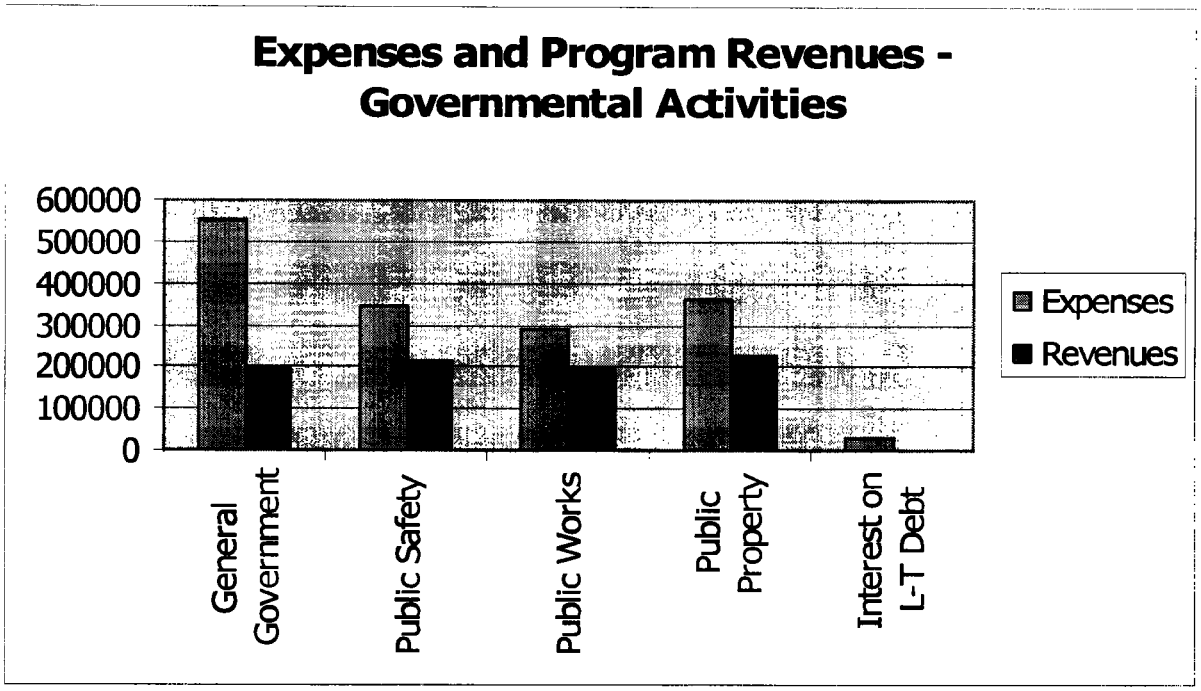
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	1,362,793	1,393,490	1,243,140	1,060,803	2,605,933	2,454,293
Capital assets	11,953,679	11,498,972	2,343,300	2,441,315	14,296,979	13,940,287
Total assets	13,316,472	12,892,462	3,586,440	3,502,118	16,902,912	16,394,580
Other liabilities	159,106	145,659	55,892	21,419	214,998	167,078
Long-term liabilities outstanding	627,405	686,726	0	0	627,405	686,726
Total liabilities	786,511	832,385	55,892	21,419	842,403	853,804
Net assets:						
Invested in capital assets, net of related debt	11,249,148	10,735,412	2,343,300	2,441,315	13,592,448	13,176,727
Restricted	931,160	972,919			931,160	972,919
Unrestricted	349,653	351,746	1,187,249	1,039,384	1,536,902	1,391,130
Total net assets	12,529,961	12,060,077	3,530,549	3,480,699	16,060,510	15,540,776

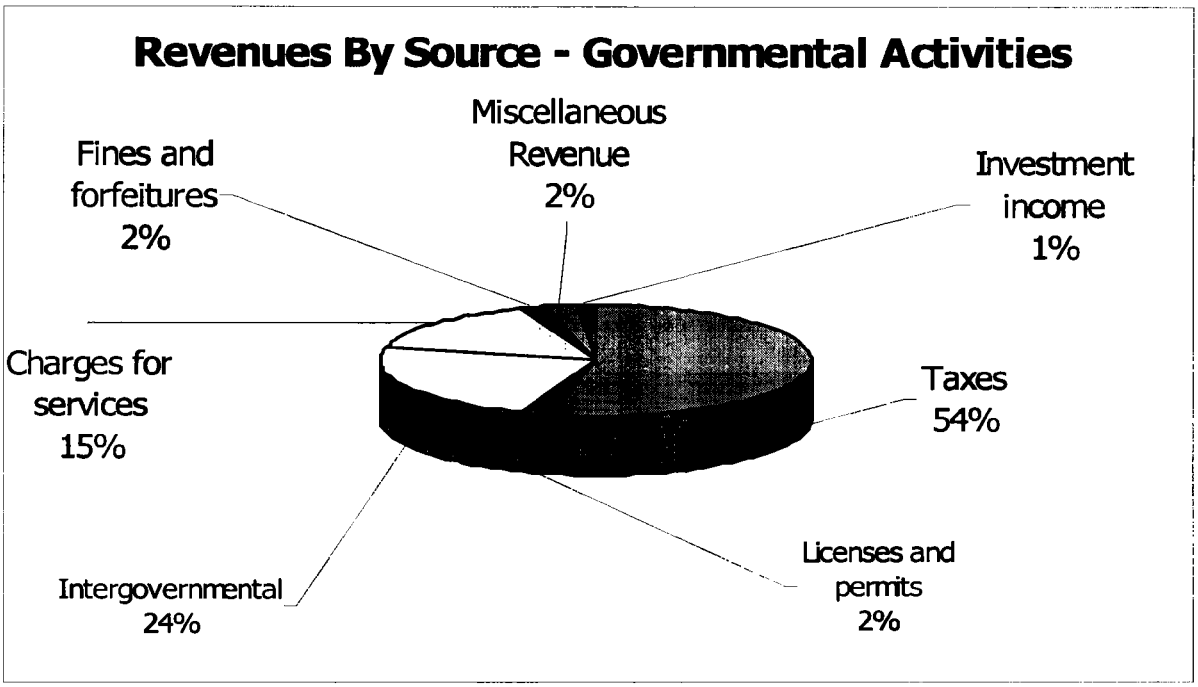
A portion of the net assets, totaling $931,160, or ≈ 5.79% represents resources that are subject to restrictions on their use. The balance of unrestricted net assets of $1,536,902, or ≈ 9.57% may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets
June 30, 2006 and 2005

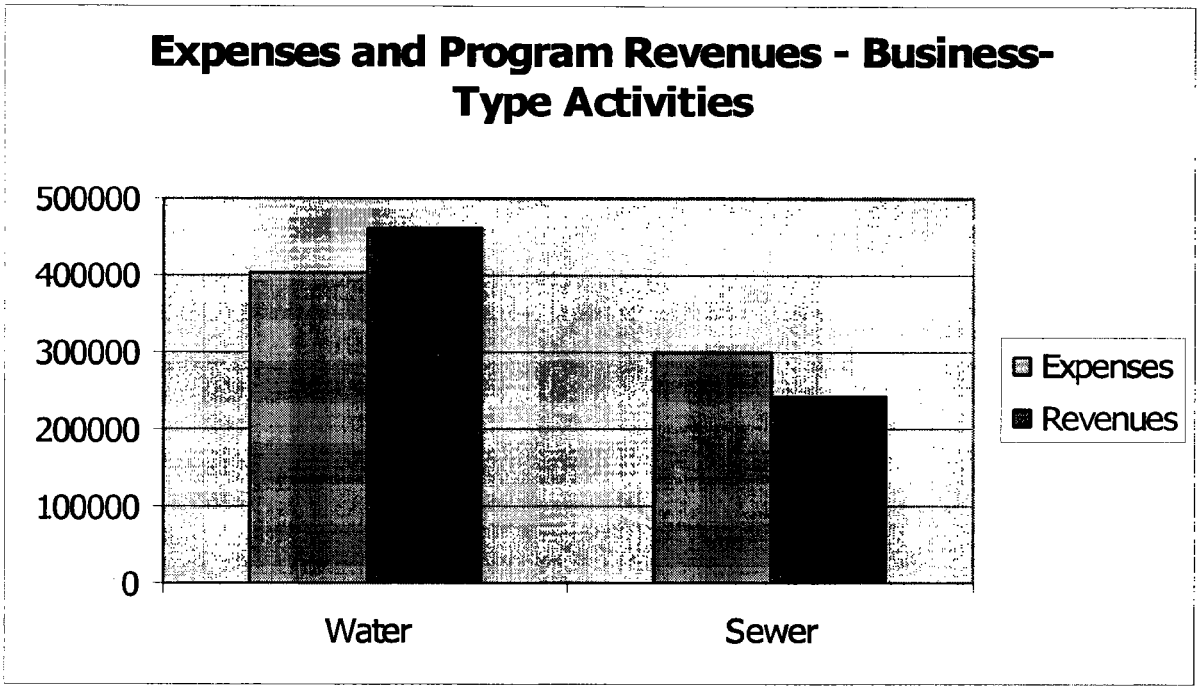
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 350,955	$ 319,398	$ 689,529	$ 601,848	$ 1,040,484	$ 921,246
Operating grants and contributions	331,664	246,206	-	-	331,664	246,206
Capital grants and contributions	150,450	328,676	15,150	23,200	165,600	351,876
General revenues:						
Property taxes	312,586	306,087	-	-	312,586	306,087
Other taxes	783,238	733,267	-	-	783,238	733,267
Unrestricted investment earnings	27,327	33,610	34,439	24,084	61,766	57,694
Other	99,760	65,244	11,883	11,729	111,643	76,973
Total revenues	2,055,980	2,032,488	751,001	660,861	2,806,981	2,693,349
Expenses:						
General government	552,798	495,014			552,798	495,014
Public safety	345,509	300,554			345,509	300,554
Public health					-	-
Highways and public improvements	292,527	496,483			292,527	496,483
Parks and recreation	359,630	311,798			359,630	311,798
Interest on long-term debt	30,052	32,511			30,052	32,511
Water			401,725	392,787	401,725	392,787
Sewer			299,426	281,465	299,426	281,465
Total expenses	1,580,516	1,636,360	701,151	674,252	2,281,667	2,310,612
Increase in net assets before transfers	475,464	396,128	49,850	(13,391)	525,314	382,737
Transfers	-	36,267	-	(36,267)	-	-
Gain/loss on sale of assets	(5,580)		-	(33,088)	(5,580)	(33,088)
Increase in net assets	469,884	432,395	49,850	(82,746)	519,734	349,649
Net assets - beginning	12,060,077	11,627,682	3,480,699	3,563,445	15,540,776	15,191,127
Net assets - ending	$ 12,529,961	$ 12,060,077	$ 3,530,549	$ 3,480,699	$ 16,060,510	$ 15,540,776

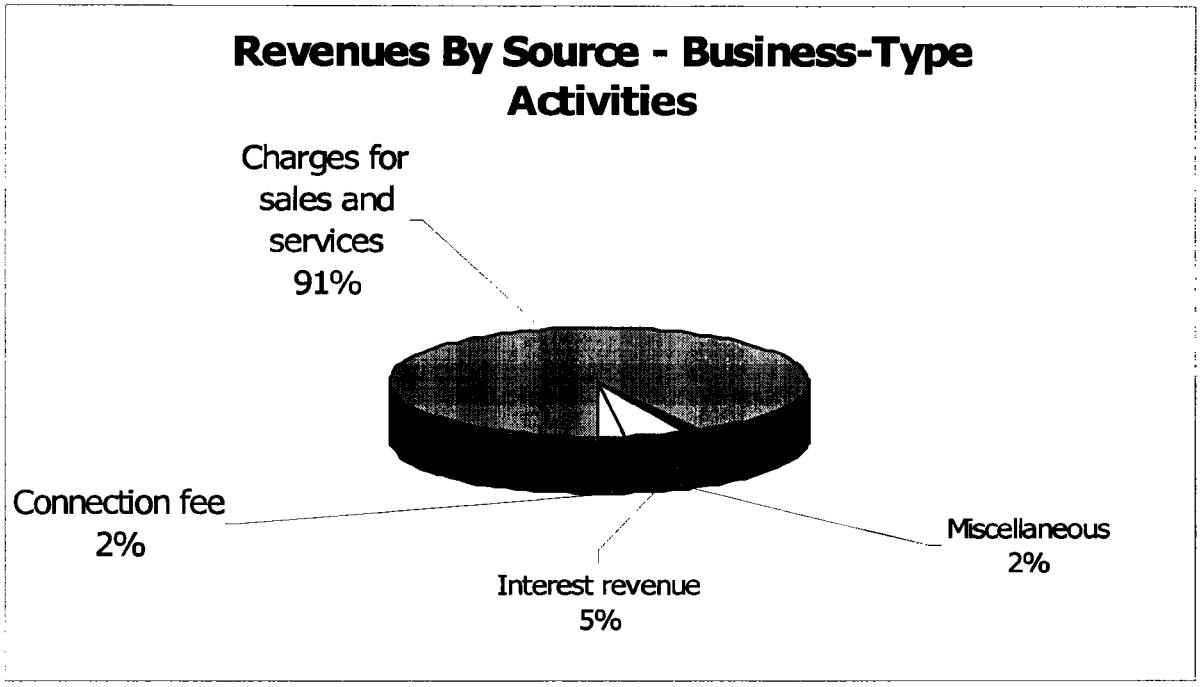
Governmental Activities – Governmental activities increased the City's net assets by $469,884. When combined with the $49,850 increase in net assets from business-type activities, the overall net assets increased by $519,734 or ≈ 3.34%. The graphs presented below contain regular operating revenues only 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. 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, 2006 Delta City's governmental funds reported combined ending fund balances of $1,278,205. Of this balance, $321,810, or ≈ 25.18% is unreserved fund balance, which is available for spending at the discretion/designation of the government; this being $37,787 for capital projects, $24,492 for special revenue funds and $255,531 to carry the general operations of the City as new fiscal year revenue streams are awaited.

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

Revenues derived from taxes remain by far the largest revenue source within the General Fund; representing approximately 57.67% 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, 2006 for main fund was $463,187. The other major fund within the governmental activities group was the Debt Service fund, with a fiscal year-ending fund balance of $688,419 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 $897,255; while the total net assets amounted to $2,200,901, which included a $96,056 increase in net assets during the fiscal year. The unrestricted net assets of the Sewer Fund totaled $289,994; while the total net assets amounted to $1,329,648, which incorporated a $46,206 decrease in net assets during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The initially adopted General Fund budget for fiscal year 2006 was in the amount of $2,213,993 ($1,748,143 net of budgeted use of fund balances). The budget was subsequently amended to $2,308,919 ($1,854,380 net of budgeted use of fund balances). This increase in the General Fund budget amounted to $94,926. 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, 2006 amounted to $14,296,977 (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 2006
Water Stock	-	313,934	313,934
Land	449,664	23,534	473,198
Buildings	926,961	1,880,371	2,807,332
Improvements other than Buildings	728,762	6,008	734,770
Equipment	140,881	119,451	260,332
Infrastructure	9,707,411	-	9,707,411
Total Assets	11,953,679	2,343,298	14,296,977

Long-Term Debt – At the end of the current fiscal year, the City has $681,354 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	$ 575,900	$	$ 575,900
General Obligation Bonds	105,454		105,454
Total	$ 681,354	$ -0-	$ 681,354

Delta City's bonded debt decreased by $57,025 during the current fiscal year. There were no new issues of indebtedness. The City is currently within the process of issuing non-voted water revenue bonds to finance the construction of capital improvements to our culinary water delivery system, which will also address the federal government's Environmental Protection Agency mandate to address arsenic levels in drinking water.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Economic conditions in Millard County and within the State of Utah are taken into consideration when weighing compensation issues and employee benefits – with a focus being on the fair and equitable treatment of our valued workforce along with insuring that the City's financial well-being remains intact and that all City services are being provided as needed. A 2% cost-of-living adjustment was allowed for Delta City's employees for fiscal year 2007, in addition to the City maintaining payment of employee health insurance premiums, but note that a different health plan was offered than has been historically been provided by the City for our employees. The General Fund budget for fiscal year 2007 is

$2,480,152 ($1,926,344 net of budgeted fund balances); $171,233 more ($71,964 more net of budgeted fund balances); than the final amended budget for fiscal year 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Delta City's finances for all those with an interest in the government's finances. As a political subdivision of the State of Utah, we are compliant with the Governmental Records and Management Act (GRAMA), therefore, any questions concerning any of the information provided in this report or request for additional financial information can be acquired and should be addressed to 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, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 298,766	$ 986,605	$ 1,285,371
Prepaid expenses	3,154	-	3,154
Utility billings receivable	16,372	89,986	106,358
Other receivable	195,639	-	195,639
Interest receivable	24,305	-	24,305
Inventory	25,235	83,175	108,410
Restricted assets:			
Cash and cash equivalents	252,011	-	252,011
Investments	630,685	-	630,685
Internal balances	(83,374)	83,374	-
Capital assets not being depreciated:			
Water stock	-	313,934	313,934
Land	449,664	23,534	473,198
Capital assets being depreciated (net):			
Buildings	926,961	1,880,371	2,807,332
Improvements other than buildings	728,762	6,008	734,770
Equipment	140,881	119,453	260,334
Infrastructure	9,707,411	-	9,707,411
Total assets	13,316,472	3,586,440	16,902,913
LIABILITIES			
Accrued liabilities	76,613	43,108	119,721
Deferred revenue	-	12,784	12,784
Bond interest payable	23,178	-	23,178
Revenue bonds payable - Due within one year	59,315	-	59,315
Revenue bonds payable - Due in more than one year	622,038	-	622,038
Compensated absences	5,367	-	5,367
Total liabilities	786,511	55,892	842,403
NET ASSETS			
Invested in capital assets, net of related debt	11,249,148	2,343,300	13,592,448
Restricted for:			
Library trust	35,085	-	35,085
Road improvements	206,012	-	206,012
Debt service	688,419	-	688,419
Fire department	1,644	-	1,644
Unrestricted	349,653	1,187,249	1,536,902
Total net assets	$ 12,529,961	$ 3,530,549	$16,060,510

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, 2006

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	$ 552,798	$ 196,538	$ -	$ -	$ (356,260)	$ -	$ (356,260)
Public safety	345,509	74,587	141,280	-	(129,642)	-	(129,642)
Public works	292,527	10,073	184,967	-	(97,487)	-	(97,487)
Parks, recreation and public property	359,630	69,757	5,417	150,450	(134,006)	-	(134,006)
Interest on long-term debt	30,052	-	-	-	(30,052)	-	(30,052)
Total governmental activities	1,580,516	350,955	331,664	150,450	(747,447)	-	(747,447)
Business-type activities:							
Water	401,725	454,252	-	7,950	-	60,477	60,477
Sewer	299,426	235,277	-	7,200	-	(56,949)	(56,949)
Total business-type activities	701,151	689,529	-	15,150	-	3,528	3,528
Total primary government	$ 2,281,667	$1,040,484	$ 331,664	$ 165,600	(747,447)	3,528	(743,919)
General revenues:							
Property taxes					312,586	-	312,586
Sales taxes					747,956	-	747,956
Franchise taxes					35,282	-	35,282
Unrestricted investment earnings					27,327	34,439	61,766
Miscellaneous					99,760	11,883	111,643
Gain/(Loss) on sale of fixed assets					(5,580)	-	(5,580)
					-	-	-
Total general revenues and transfers					1,217,331	46,322	1,263,653
Change in net assets					469,884	49,850	519,734
Net assets - beginning					12,060,077	3,480,699	15,540,776
Net assets - ending					$ 12,529,961	$ 3,530,549	$ 16,060,510

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

City of Delta, Utah
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 208,445	$ 33,429	$ 56,892	$ 298,766
Prepaid expenses	3,154	-	-	3,154
Receivables (net):				
Utility billings	16,372	-	-	16,372
Other	195,639	-	-	195,639
Due from other funds	-	-	117	117
Interest receivable	-	24,305	-	24,305
Inventory	-	-	25,235	25,235
Restricted cash and cash equivalents	207,656	-	44,355	252,011
Restricted investments	-	630,685	-	630,685
Total assets	$ 631,266	$ 688,419	$ 126,599	$ 1,446,284
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	$ 83,492	$ -	$ -	$ 83,492
Accrued liabilities	76,613	-	-	76,613
Deferred revenue - Customer deposits	7,974	-	-	7,974
Total liabilities	168,079	-	-	168,079
Fund balances:				
Reserved for:				
Library trust	-	-	35,085	35,085
Inventories	-	-	25,235	25,235
Road improvements	206,012	-	-	206,012
Fire department	1,644	-	-	1,644
Debt service fund	-	688,419	-	688,419
Unreserved, reported in:				
General fund	255,531	-	-	255,531
Special revenue funds	-	-	28,492	28,492
Capital projects fund	-	-	37,787	37,787
Total fund balances	463,187	688,419	126,599	1,278,205
Total liabilities and fund balances	$ 631,266	$ 688,419	$ 126,599	$ 1,446,284

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, 2006

Total fund balances - governmental fund types:	$	1,278,205
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.		11,953,679
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(709,897)
Liability for earned, but deferred revenue.		7,974
Net assets of governmental activities	$	12,529,961

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, 2006

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,086,480	$ 9,344	$ -	$ 1,095,824
Licenses and permits	46,458	-	-	46,458
Intergovernmental	331,331	-	150,450	481,781
Charges for services	311,022	-	-	311,022
Fines and forfeitures	43,747	-	-	43,747
Miscellaneous revenue	50,623	-	-	50,623
Investment income (loss)	14,142	8,403	4,782	27,327
Total revenues	1,883,803	17,747	155,232	2,056,782
EXPENDITURES				
Current:				
General government	627,918	-	-	627,918
Public safety	343,795	-	-	343,795
Highways and public improvements	568,016	-	387	568,403
Parks, recreation, and public property	284,270	-	-	284,270
Capital outlay	-	-	186,366	186,366
Debt service:				
Principal retirement	-	57,025	-	57,025
Interest and fiscal charges	-	32,056	-	32,056
Total expenditures	1,823,999	89,081	186,753	2,099,833
Excess revenues over (under) expenditures	59,804	(71,334)	(31,521)	(43,051)
OTHER FINANCING SOURCES (USES)				
Transfers in	14,953	12,909	13,000	40,862
Transfers out	(25,909)	-	(14,953)	(40,862)
Total other financing sources and uses	(10,956)	12,909	(1,953)	-
Excess of revenues and other sources over (under) expenditures and other uses	48,848	(58,425)	(33,474)	(43,051)
Fund balances - beginning of year	414,339	746,844	160,073	1,321,256
Fund balances - end of year	$ 463,187	$ 688,419	$ 126,599	$ 1,278,205

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, 2006

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

Net changes in fund balances - total governmental funds	$ (43,051)
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.	460,289
Cash received for capital asset disposals is recorded as revenue in the fund financial statements. In the government-wide financial statements a gain or loss on disposition of capital assets is recorded based on the cash received and the book value of the asset. This is the difference between the cash received and the gain or loss on the disposal.	(5,580)
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.	(802)
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	57,025
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	2,003
Change in net assets of governmental activities	$ 469,884

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 (continued on next page)
For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Ad valorem property taxes	$ 240,000	$ 240,000	$ 232,004	$ (7,996)
Fee-in-lieu of taxes	65,000	65,000	61,104	(3,896)
Prior years' delinquent property taxes	4,000	10,000	10,134	134
General sales and use taxes	530,000	530,000	589,797	59,797
Municipal energy fees	140,000	150,000	158,159	8,159
Franchise fees	-	36,000	35,282	(718)
Total Taxes	979,000	1,031,000	1,086,480	55,480
Licenses and Permits:				
Business licenses	22,000	21,114	21,139	25
Building permits	22,010	21,796	22,569	773
Animal licenses and fees	1,800	2,653	2,750	97
Total Licenses and Permits	45,810	45,563	46,458	895
Intergovernmental Revenue:				
Class "C" road funds	128,000	176,634	184,967	8,333
State liquor funds	4,000	5,152	5,152	-
Fire department O&M - MCFSD	58,500	58,500	58,500	-
State library grant	4,500	5,084	5,084	-
LSCA technology grant	14,705	-	-	-
Federal Weapons of Mass Destruction	34,450	38,585	31,522	(7,063)
Title V grant	-	51,000	30,989	-
FEMA grant	-	15,117	15,117	-
Total Intergovernmental Revenue	244,155	350,072	331,331	1,270
Charges for Services:				
Wildland fire protection reimbursement	2,500	1,319	1,319	-
Fire truck service fees	1,000	2,204	2,204	-
Crosswalk guards reimbursement	8,850	8,610	7,875	(735)
Subdivision improvement fees	100	-	-	-
Municipal lease & rental fees	13,500	18,791	19,661	870
Airport fuel taxes	400	333	333	-
Irrigation/ditch tax & rental	6,500	4,000	4,073	73
Zoning and subdivision fees	200	275	275	-
Millard County landfill use fees	171,951	175,303	175,399	96
Audit reimbursement - sewer	2,500	2,500	2,500	-
Audit reimbursement - water	3,000	3,000	3,000	-
Water enterprise office rent	6,000	6,000	6,000	-
Admin reimbursement - sewer	18,000	18,000	18,000	-
Admin reimbursement - water	21,600	26,600	26,600	-
Airport aviation fuel sales	58,500	54,053	43,783	(10,270)
Total Charges for Services	314,601	320,988	311,022	(9,966)
Fines and Forfeitures:				
Court fines	28,010	33,000	33,730	730
Small claims fees	1,000	610	630	20
Library fines and fees	7,500	7,100	7,313	213
Motor carrier fees	1,500	2,074	2,074	-
Total Fines and Forfeitures	38,010	42,784	43,747	963
Miscellaneous:				
Health Ins Reimbursement - Firemen	14,606	5,006	5,006	-
Health Ins Reimbursement - Non Firemen	13,104	13,104	13,104	-
Interest	5,870	13,925	14,142	217
Utilities - state bookmobile	600	600	600	-
Delta area youth council	500	-	-	-
West Millard youth court	1,100	963	963	-
Miscellaneous	5,000	30,375	30,950	575
Total Miscellaneous	40,780	63,973	64,765	792
Total Revenues	$ 1,662,356	$ 1,854,380	$ 1,883,803	$ 49,434

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 (continued from prior page)
For the Year Ended June 30, 2006

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures:				
General Government:				
Mayor and council	$ 182,704	$ 182,851	$ 160,617	$ (22,234)
Judicial	46,154	70,225	65,630	(4,595)
Treasurer	55,103	54,855	54,123	(732)
Recorder/Finance Director	176,028	165,465	158,938	(6,527)
Attorney	103,658	98,311	91,547	(6,764)
City Hall	132,200	117,303	97,063	(20,240)
Total General Government	695,847	689,010	627,918	(61,092)
Public Safety:				
Law enforcement	191,945	204,439	189,994	(14,445)
Animal control	24,925	20,542	18,955	(1,587)
Building inspection	13,000	13,300	11,290	(2,010)
Fire department	131,356	134,218	123,556	(10,662)
Total Public Safety	361,226	372,499	343,795	(28,704)
Highways and Public Improvements:				
Streets	559,110	649,360	393,388	(255,972)
County landfill	167,000	170,647	170,108	(539)
Irrigation system	16,790	5,734	4,520	(1,214)
Total highways and public improvements	742,900	825,741	568,016	(257,725)
Parks, Recreation and Public Property				
Parks	86,242	59,512	44,796	(14,716)
Library	150,908	132,800	132,730	(70)
Celebrations	25,500	39,886	37,131	(2,755)
Municipal airport	77,121	73,515	69,613	(3,902)
Total parks, recreation and public property	339,771	305,713	284,270	(21,443)
Total expenditures - general fund	2,139,744	2,192,963	1,823,999	(368,964)
Excess Revenues Over (Under) Expenditures	(477,388)	(338,583)	59,804	418,398
Other Financing Sources (Uses):				
Transfers In	-	-	14,953	14,953
Transfers (Out)	(74,249)	(115,956)	(25,909)	90,047
Total other financing sources (uses)	(74,249)	(115,956)	(10,956)	105,000
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(551,637)	(454,539)	48,848	503,387
Fund Balance - Beginning of Year	414,339	414,339	414,339	-
Fund Balance - End of Year	$ (137,298)	$ (40,200)	$ 463,187	$ 503,387

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash	$ 747,998	$ 238,607	$ 986,605
Receivables (net)			
Utilities	68,094	21,892	89,986
Due from other funds	66,689	16,685	83,374
Inventory	69,417	13,758	83,175
Total current assets	952,198	290,942	1,243,140
Noncurrent assets:			
Water stock	313,934	-	313,934
Land	11,767	11,767	23,534
Equipment, buildings and improvements	2,327,100	2,663,069	4,990,169
Less: Accumulated depreciation	(1,349,155)	(1,635,182)	(2,984,337)
Total noncurrent assets	1,303,646	1,039,654	2,343,300
Total assets	2,255,844	1,330,596	3,586,440
LIABILITIES			
Current liabilities:			
Accrued liabilities	42,160	948	43,108
Deferred revenue - Customer deposits	12,784	-	12,784
Total current liabilities	54,944	948	55,892
Total liabilities	54,944	948	55,892
NET ASSETS			
Invested in capital assets, net of related debt	1,303,646	1,039,654	2,343,300
Unrestricted	897,255	289,994	1,187,249
Total net assets	$ 2,200,901	$ 1,329,648	$ 3,530,549

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for sales and services	$ 454,252	$ 235,277	$ 689,529
Miscellaneous	10,058	1,825	11,883
Total operating revenues	464,310	237,102	701,412
Operating expenses:			
Employee salaries	130,501	86,518	217,019
Employee benefits	62,661	57,994	120,655
Professional Services	14,874	6,134	21,008
Office Supplies	9,004	1,284	10,288
Materials and Supplies	19,505	10,332	29,837
Utilities	46,545	7,535	54,080
Telephone	2,441	2,570	5,011
Repairs and maintenance	12,571	37,278	49,849
Depreciation	55,566	62,868	118,434
Bad debts	1,005	240	1,245
Travel and Training	2,664	780	3,444
Insurance	11,788	7,893	19,681
Administrative Charges	26,600	18,000	44,600
Rental	6,000	-	6,000
Total operating expenses	401,725	299,426	701,151
Operating income	62,585	(62,324)	261
Nonoperating revenues (expenses):			
Interest revenue	25,521	8,918	34,439
Connection Fees	7,950	7,200	15,150
Total nonoperating revenues (expenses)	33,471	16,118	49,589
Income (loss)	96,056	(46,206)	49,850
Change in net assets	96,056	(46,206)	49,850
Total net assets - beginning	2,104,845	1,375,854	3,480,699
Total net assets - ending	$ 2,200,901	$ 1,329,648	$ 3,530,549

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, 2006

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from customers	$ 441,703	$ 234,591	$ 676,294
Miscellaneous receipts	10,058	1,825	11,883
Payments to suppliers	(216,221)	(112,682)	(328,903)
Payments to employees	(193,163)	(144,513)	(337,676)
Net cash provided (used) by operating activities	42,377	(20,779)	21,598
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(20,419)	-	(20,419)
Connection fees collected	7,950	7,200	15,150
Net cash provided (used) by capital and related financing activities	(12,469)	7,200	(5,269)
Cash Flows From Investing Activities			
Interest and dividends received	25,521	8,918	34,439
Net cash provided (used) by investing activities	25,521	8,918	34,439
Net increase (decrease) in cash and cash equivalents	55,429	(4,661)	50,768
Cash and cash equivalents, July 1	692,569	243,268	935,837
Cash and cash equivalents, June 30	$ 747,998	$ 238,607	$ 986,605
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	$ 62,585	$ (62,324)	$ 261
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	55,566	62,868	118,434
(Increase) decrease in accounts receivable	(12,549)	(687)	(13,236)
(Increase) decrease in due from other funds	(65,957)	(12,876)	(78,833)
(Increase) decrease in inventories	(31,778)	(7,722)	(39,500)
Increase (decrease) in accrued liabilities	34,518	(38)	34,480
Increase (decrease) in customer deposits	(8)	-	(8)
Total adjustments	(20,208)	41,545	21,337
Net cash provided (used) by operating activities	$ 42,377	$ (20,779)	$ 21,598

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, 2006

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A. FINANCIAL REPORTING ENTITY

Delta City is a political subdivision of the State of Utah. The City is governed by a mayor and an elected board of five council members. The financial statements of Delta City include those of separately administered organizations that are controlled by or are dependent on the City. Control or dependence is determined on the basis of financial interdependence, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters. Using these criteria no potential component units are included in the City's financial statements.

The accounting policies of 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 and Sewer 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	
Proprietary Fund	
Water and Sewer	Accounts for revenues and expenditures of the water and sewer utilities.
Nonmajor:	
Capital Projects Fund	
Equipment Acquisition, Streets & Drainage, Airport Improvements, and Complex Renovation	Accounts for revenues and expenditures on capital projects.
Special Revenue Fund	
Street Lighting	Accounts for revenues and expenditures for funds such as redevelopment agencies.
Permanent Fund	
Library Trust	This fund includes resources that are legally restricted so that only earnings and not principal may be used for operations.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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 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, 2006, 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, 2006, the City had $683,551 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, 2006, 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, 2006.

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

Deposits – Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of June 30, 2006, The City's custodial credit risk for deposits is as follows:

	Custodial Credit Risk	Balance June 30, 2006
Depository Accounts	Insured	$ 133,769
	Uninsured and uncollateralized	699,438
Total Depository Accounts		$ 833,207

Investments

As of June 30, 2006 the government had the following investments and maturities:

		Investment Maturity in Years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments in Public Treasurers'	$703,746	$ 703,746	$ -	$ -	$ -
Treasury Bond	630,685	-	-	630,685	-
Total Fair Value	$ 1,334,431	$ 703,746	$ -	$630,685	$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining

term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk – The City follows the requirements of the Utah Money Management act (Section 61, chapter 7 of the Utah Code) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers' Investment Fund (UPTIF), trade commercial paper, bankers' acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligation of government entities within the State of Utah. The UPTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the UPTIF. The degree of risk of the UPTIF depends upon the underlying portfolio. The act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices. The UPTIF is unrated.

The deposits and investments described above are included on the Statement of Net Assets as per the following reconciliation:

Reconciliation to Government-wide Statement of Net Assets:		
Deposits & Investments	$	833,211
Investments		1,334,431
Cash on hand		425
Total	$	2,168,067
Government - Wide		
Cash and Cash Equivalents	$	1,285,371
Restricted Cash & Cash Equivalents		252,011
Restricted Investments		630,685
Total	$	2,168,067

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2006, are as follows:

Type of Restricted Asset	Cash/Time Deposits	Investments	Accrued Int.	Total
Business-Type Activities:				
None	$ -	$ -	$ -	$ -
Total	-	-	-	-
Governmental Activities:				
Road Enchroachment Fees	5,868	-	-	5,868
Debt Service	-	630,685	-	630,685
Class C Roads	200,144	-	-	200,144
Fire Department O&M	1,644	-	-	1,644
Runway Rehabilitation	9,270	-	-	9,270
Total	216,926	630,685	-	847,611
Grand Totals	$ 216,926	$ 630,685	$ -	$ 847,611

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 and taxes receivables. Receivables detail at June 30, 2006, is as follows:

	Governmental Activities	Business-Type Activities	Total
Utility Billings:			
Landfill	$ 16,372	$ -	$ 16,372
Water	-	68,094	68,094
Sewer	-	21,892	21,892
Other:			
Taxes	94,630	-	94,630
Allowance for Doubtful Accounts	-	-	-
Net Accounts Receivable	$ 111,002	$ 89,986	$ 200,988

3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance at July 1, 2005	Additions	Transfers/ Disposals	Balance at June 30, 2006
Governmental Activities:				
Land	$ 369,454	$ 80,210	$ -	$ 449,664
Buildings	1,539,864			1,539,864
Other Improvements	689,454	161,495		850,949
Equipment	1,073,021	13,922	(70,704)	1,016,239
Infrastructure	9,382,021	325,390		9,707,411
Totals at historical cost	13,053,814	581,017	(70,704)	13,564,127
Less Accum. Depreciation				
Buildings	(574,606)	(38,297)		(612,903)
Other Improvements	(92,115)	(30,072)		(122,187)
Equipment	(882,020)	(58,460)	65,124	(875,356)
Total Accum. Depreciaiton	(1,548,741)	(126,829)	65,124	(1,610,446)
Governmental Activities capital assets, net	11,505,073	454,188	(5,580)	11,953,681
Business-type activities:				
Land	23,534			23,534
Buildings & System	37,097			37,097
Other Improvements	19,243			19,243
Machinery & Equipment	323,815		(46,936)	276,879
Vehicles	129,502			129,502
Utility Plant	1,837,959	8,506		1,846,465
Contributed Capital Assets	2,680,982			2,680,982
Water Rights	302,024	11,910		313,934
Totals at historical cost	5,354,156	20,416	(46,936)	5,327,636
Less Accum. Depreciation				
Buildings & System	(26,271)	(838)		(27,109)
Other Improvements	(13,235)			(13,235)
Machinery & Equipment	(233,447)	(18,712)	46,936	(205,223)
Vehicles	(68,692)	(13,015)		(81,707)
Utility Plant	(1,108,926)	(33,870)		(1,142,796)
Contributed Capital Assets	(1,462,270)	(51,999)		(1,514,269)
Total Accum. Depreciaiton	(2,912,841)	(118,434)	46,936	(2,984,339)
Business-type activities capital assets, net	$ 2,441,315	$ (98,018)	$ -	$ 2,343,297

Depreciation expense was charged to governmental activities as follows:

General government:	
General government	$ 25,112
Public Safety	1,714
Public Works	45,597
Parks and Public Property	50,489
Total depreciation expense	$122,912

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, 2006, 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)	$ 575,902
General Obligation Natural Gas Refunding Bonds, Dated 1999 3%, (Original amount $143,990)	105,454
Total General Long-Term Debt	$ 681,356

Business-type Activities:
As of June 30, 2006, 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, 2006:

Type of Debt	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Due Within One Year	$ -	$ -	$ -	$ -
Government-type Activities:				
Notes Payable	738,379		(57,023)	681,356
Total Government Fund Debt	$ 738,379	$ -	$ (57,023)	$ 681,356

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, 2006, are as follows:

Year Ending June 30	Government-type Activities Notes Payable	
	Principal	Interest
2007	59,318	29,188
2008	62,718	26,609
2009	65,225	23,891
2010	67,845	21,061
2011	70,583	18,113
2012-2016	323,215	41,622
2017-2021	32,452	2,868
Total	$ 681,356	$ 163,352

3.G. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

Description	Transfers Out	Transfers In
Road Bond Funding	$ -	$ 12,909
Municipal Airport Imp	-	13,000
General Fund	25,909	14,953
Water Fund	-	-
Sewer Fund	-	-
Class C transfer In	-	-
Capital Project Fund	14,953	-
	$ 40,862	$ 40,862

	Administrative Charges Paid	Administrative Charges Received
Audit Reimbursement - Sewer	$ 2,500	$ -
Audit Reimbursement - Water	3,000	-
Water Fund Office Rent	6,000	-
Admin Reimbursement - Sewer	18,000	-
Admin Reimbursement - Water	26,600	-
Water Fund Rent	-	6,000
Admin Reimb to General	-	26,600
Audit	-	3,000
Admin Reimb to General	-	18,000
Audit	-	2,500
Total Transfers	$ 56,100	$ 56,100

The City had the following interfund receivable and payable balances as of June 30, 2006:

	Receivable	Payable
General Fund	$ -	$ 83,492
Capital Project Fund	117	-
Water Fund	66,689	-
Sewer Fund	16,686	-
Totals	$ 83,492	$ 83,492

3.H. FUND EQUITY

Restricted Fund Equity

	Government Activities	Business-Type Activites	Totals
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 11,249,148	$ 2,343,300	$ 13,592,448
Restricted for:			
Library Trust	35,085		35,085
Road Improvements	206,012		206,012
Debt Service	688,419		688,419
Fire Department	1,644		1,644
Unrestricted (Deficit)	349,653	1,187,249	1,536,902
Total Net Assets	$ 12,529,961	$ 3,530,549	$ 16,060,510

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, 2006, 2005, and 2004 were; for the Noncontributory System $56,087, $45,917 and $38,940.

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, 2006, 2005, and 2004 were, $15,729, $12,877, and $12,589.

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	2006	2005	2004	2003
Fair or Better	97.0	97.3	97.3	97.3
Poor - Very Poor	3.0	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
2006	649,360	393,388
2005	261,860	128,685
2004	234,667	114,665
2003	262,416	186,890

SUPPLEMENTARY INFORMATION

City of Delta, Utah
Combining Balance Sheet for Governmental Nonmajor Funds
June 30, 2006

	Special Revenue Fund	Permanent Fund	Capital Project Funds				Total Nonmajor Governmental Funds
	Street Lighting	Library Trust	Equipment Acquisition	Streets and Drainage	Airport Improvements	Complex Renovation	
ASSETS							
Cash and cash equivalents	$ 28,492		$ -	$ 23,063	$ -	$ 5,337	$ 56,892
Cash and cash equivalents - restricted	-	35,085	-	-	9,270	-	44,355
Due from other funds	-	-	-	-	-	117	117
Inventory	-	-	-	25,235	-	-	25,235
Total assets	$ 28,492	$ 35,085	$ -	$ 48,298	$ 9,270	$ 5,454	$ 126,599
LIABILITIES AND FUND BALANCES							
Liabilities:							
	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
Fund balances:							
Reserved for:							
Library trust	-	35,085	-	-	-	-	35,085
Inventories	-	-	-	25,235	-	-	25,235
Unreserved, reported in:							
Special revenue funds	28,492	-	-	-	-	-	28,492
Capital project funds	-	-	-	23,063	9,270	5,454	37,787
Total fund balances	28,492	35,085	-	48,298	9,270	5,454	126,599
Total liabilities & fund balance	$ 28,492	$ 35,085	$ -	$ 48,298	$ 9,270	$ 5,454	$ 126,599

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, 2006

	Special Revenue Fund	Permanent Fund	Capital Project Funds				Total Nonmajor Governmental Funds
	Street Lighting	Library Trust	Equipment Acquisition	Streets and Drainage	Airport Improvements	Complex Renovation	
REVENUES:							
Investment earnings	$ 1,178	$ 1,450	$ -	$ 957	$ 300	$ 897	$ 4,782
Intergovernmental revenue	-	-	-	-	150,450	-	150,450
Total	1,178	1,450	-	957	150,750	897	155,232
EXPENDITURES:							
Highways and public improvements	-	-	-	387	-	-	387
Capital outlay	-	-	-	-	161,495	24,871	186,366
Total	-	-	-	387	161,495	24,871	186,753
Excess of revenues over (under) expenditures	1,178	1,450	-	570	(10,745)	(23,974)	(31,521)
Other Financing Sources (uses)							
Transfers in	-	-	-	-	13,000	-	13,000
Transfers out	-	-	(14,953)	-	-	-	(14,953)
Total other financing sources and uses	-	-	(14,953)	-	13,000	-	(1,953)
Excess of revenues and other sources over (under) expenditures and other uses	1,178	1,450	(14,953)	570	2,255	(23,974)	(33,474)
Fund Balances - Beginning of year	27,314	33,635	14,953	47,728	7,015	29,428	160,073
Fund Balances - End of year	$ 28,492	$ 35,085	$ -	$ 48,298	$ 9,270	$ 5,454	$ 126,599

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
JUNE 30, 2006

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GOVERNMENT AUDITING STANDARDS REPORT

LARSON & COMPANY
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, 2006

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, 2006, and have issued our report thereon dated August 11, 2006. 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.

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Certified Public Accountants

STATE COMPLIANCE REPORT

LARSON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

August 11, 2006

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, 2006, and have issued our report thereon dated August 11, 2006. 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, 2006. 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.

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

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occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

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, 2006.

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