

SYRACUSE CITY
State of Utah

GENERAL PURPOSE
EXTERNAL FINANCIAL REPORT

For the year ended
June 30, 2007

*"Provide quality affordable services while promoting community pride,
fostering economic development and managing growth."*



SYRACUSE CITY, UTAH
GENERAL-PURPOSE EXTERNAL FINANCIAL REPORT
For the Year Ended June 30, 2007

TABLE OF CONTENTS

SECTION I. INTRODUCTION	<u>Exhibit</u>	<u>Page</u>
Title Page		I
Table of Contents		II-III
 SECTION II. FINANCIAL		
Independent Auditor's Report		1-2
Management Discussion and Analysis		3-8
 Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	A	9
Statement of Activities	B	10
 Governmental Funds Statements		
Balance Sheet	C	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets ...	D	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	14
 Proprietary Funds Statements		
Statement of Net Assets	G	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	16
Statement of Cash Flows	I	17
Notes to Financial Statements	K	18-33
 Required Supplemental Information		
Budgetary Comparisons – Major Governmental Funds		
General Fund	1	34-35
Redevelopment Agency Fund	2	36
Municipal Building Authority Fund	3	37
 Supplementary Information		
Budgetary Comparisons		
Capital Projects / Special Improvement District Fund.....	4	38
Capital Projects / Storm Sewer Construction Fund.....	5	39
Capital Projects / Building Fund	6	40
Utility Fund	7	41
Secondary Water Fund	8	42
Motor Pool Fund	9	43
State of Utah Impact Fee Reporting.....	10	44

SYRACUSE CITY, UTAH
GENERAL-PURPOSE EXTERNAL FINANCIAL REPORT
For the Year Ended June 30, 2007

TABLE OF CONTENTS

**SECTION III. GOVERNMENT AUDITING STANDARDS, OMB CIRCULAR A-133 AND
OTHER REQUIRED REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133.....	47-48
Schedule of expenditures of federal awards.....	49
Notes to the schedule of expenditures of federal awards.....	50
Schedule of findings and questioned costs 2007 year.....	51-52
Summary of findings and questioned costs 2006 year.....	53
Independent Auditor's Report – State of Utah Legal Compliance.....	54-55
Schedule of Findings 2007 Year.....	56-57
Schedule of Findings 2006 Year	58

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Syracuse City

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, and each major fund of Syracuse City, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of Syracuse City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 34 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.

Honorable Mayor and City Council
Syracuse City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Syracuse City's basic financial statements. The budget-to-actual comparisons on pages 38 to 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Syracuse City. The budget-to-actual comparisons and the schedule of expenditures of federal awards 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.

Wood Richards & Associates

Ogden, Utah
November 21, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

INTRODUCTION

The following is a discussion and analysis of Syracuse City's financial performance and activities for the year ended June 30, 2007. When read in conjunction with the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance. Starting with the year ended June 30, 2004 the City implemented new reporting standards established by the Governmental Accounting Standards Board (GASB). These new standards significantly changed the content and structure of the financial statements from earlier years. The new presentations are intended to give current answers to the ongoing questions of "what is the City's financial condition", "what are the resources of the City", "how much do specific City services cost", and "who pays for which service".

HIGHLIGHTS

The growth of the City has slowed somewhat to an 8% increase in utility connections this year with the total connections of 6,075 for the month of June 2007. Significant additional sales tax revenue has been generated by the commercial development that opened in the Town Center development this spring.

The community is enjoying the Jensen Park master plan facilities that have been completed this year. The residential fish pond, several picnic areas, a visitor's center, educational nature classes, the water feature, and other amenities of the twenty acre phase 1 have been welcomed by all.

The Community Center opened in November 2006 to an energetic community. Citizens are enjoying the spacious modern enclosed facility now available to host community and private athletic events.

Construction of a new City Hall and updates of other city buildings is in full swing. The City Hall is sized to centralize most of the public business needs at build-out. City Hall and the public works addition will both open this coming winter.

The Public Works department is primed with enthusiasm for the anticipated re-drilling of a city owned well that was shut down several years ago. Successfully bringing this well back on line will greatly secure the City's ability to provide quality affordable culinary water.

OVERVIEW OF THE FINANCIAL STATEMENTS

This presentation is intended to serve as an introduction to the basic financial statements of Syracuse City. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains the required supplementary information, as well as, additional supplementary information informative to the various users of the report.

The government-wide view of the City's finances is a requirement under the GASB Statement 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and became effective for the City for 2004. Fund financial statements have been reported in the past.

Government-wide Statements – Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities on pages 9 and 10 comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or disbursed, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

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. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

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 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.

The government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Syracuse City's ongoing governmental activities include general government, judicial, planning, public safety, roads, and parks and recreation services. Governmental activities also include the City's effort to accumulate and use resources for significant infrastructure, parks, and facilities construction. The City has two business-type activities – 1) operation of the city's Utility services that includes culinary water, sewer, and refuse collection and 2) operation of the City's Secondary Water system.

The government-wide statements also include information about Syracuse City Redevelopment Agency and the Municipal Building Authority of Syracuse City, blended *component units* of Syracuse City. A detailed explanation of the reporting entity is part of the notes to the financial statements.

Fund Financial Statements

The fund financial statements beginning on page 11 provide detailed information about individual funds. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds can be divided into two types: governmental funds, and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the *modified accrual* basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This *short-term* view of the City's financial position helps determine whether the City has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds are presented using the *full-accrual* basis of accounting. Syracuse City uses two different types of proprietary funds, *Enterprise funds* and *Internal Service funds*. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has two enterprise funds - Utility Fund, and Secondary Water Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund – Motor Pool Fund. Because those services predominantly benefit governmental rather than business-type activities, they are included with *governmental activities* in the government-wide statements.

Reconciliation between Government-wide and Fund Statements

Because the focus of governmental funds (modified accrual accounting, short-term focus) is narrower than that of the government-wide financial statements (full-accrual accounting, long-term focus), 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 on pages 12 and 14 of this report. Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- The value of developers infrastructure contributions are reported as revenue on the government-wide statements but are not reported on the governmental fund statements.

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

Notes to the Financial Statements

The notes beginning on page 18 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

OVERALL FINANCIAL ANALYSIS OF THE CITY

The opportunity to live in a growing active family oriented community continues to bring citizens to Syracuse. The City's total net assets increased \$5.3 million or 8.3% over the prior year. Net assets of governmental activities increased \$2.2 million or 6.4%. Net assets of business-type activities increased \$3.1 million or 10.7%. The majority of these asset increases are roads, water and sewer lines, and water shares contributed by developers or constructed with impact fee dollars.

Net Assets

The largest component of the City's net assets, \$55,186,399 or 79.6%, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all-outstanding debt that was issued to buy or build those assets. As Capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt are intended to be provided from other sources.

Restricted net assets comprise \$11,078,674 or 16.0% of total net assets. These assets are subject to external restrictions on how they may be used. They are designed for transportation, park acquisition and development, water and sewer improvements, and construction of city facilities. These assets are accumulated from State road taxes, impact fees placed on new development, and bonding. They are the funding source to pay for the major improvements needed as the population of the City grows.

The amount of unrestricted net assets at June 30, 2007 is \$3,059,389 or 4.4% of total net assets. This may be used at the City's discretion for future spending. The following presentation summarizes the City's financial position as of June 30, 2007 compared with 2006.

**Syracuse City
Net Assets**

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 12,388,428	\$ 6,233,760	\$ 4,679,878	\$ 3,481,370	\$ 17,068,306	\$ 9,715,130
Capital Assets	<u>40,458,419</u>	<u>34,583,994</u>	<u>28,275,980</u>	<u>26,277,134</u>	<u>68,734,399</u>	<u>60,861,128</u>
Total Assets	52,846,847	40,817,754	32,955,858	29,758,504	85,802,705	70,576,258
Current and Other Liabilities	1,166,900	2,031,725	531,441	299,500	1,698,341	2,331,225
Long-term Liabilities	<u>12,082,630</u>	<u>3,589,664</u>	<u>565,000</u>	<u>678,000</u>	<u>12,647,630</u>	<u>4,267,664</u>
Total Liabilities	13,249,530	5,621,389	1,096,441	977,500	14,345,971	6,598,889
Net Assets:						
Invested in Capital Assets						
Net of related Debt	27,588,419	30,561,846	27,597,980	25,486,133	55,186,399	56,047,979
Restricted	9,614,908	2,373,779	1,463,766	1,346,016	11,078,674	3,719,795
Unrestricted	<u>261,718</u>	<u>2,260,740</u>	<u>2,797,671</u>	<u>1,948,855</u>	<u>3,059,389</u>	<u>4,209,595</u>
Total Net Assets	\$ 37,465,045	\$ 35,196,365	\$ 31,859,417	\$ 28,781,004	\$ 69,324,462	\$ 63,977,369

Significant increases occurred in Capital Assets (\$7.9 million), Long-term Liabilities (\$8.4 million) and also Restricted Net Assets (\$7.4 million) as a result of the activity of the Municipal Building Authority of Syracuse City. The MBA borrowed \$9,350,000 and is midway through constructing facilities to be leased to the City upon their completion.

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

Changes in Net Assets

The \$5.3 million increase in Net Assets was generated mainly because of the construction of parks and the community center involving capital assets. Developers provided \$1.9 million of the increase in the form of water stock, roads, and associated utilities that were contributed to the City as new subdivisions were accepted.

Syracuse City
Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
General Revenues:						
Taxes	\$ 4,132,221	\$ 3,503,382	\$ -	\$ -	\$ 4,132,221	\$ 3,503,382
Impact fees	1,877,059	3,111,568	993,477	999,393	2,870,536	4,110,961
Other General Revenues	257,609	448,798	-	-	257,609	448,798
Interest Revenue	483,898	299,194	195,792	128,253	679,690	427,447
Program Revenues:						
Charges for Services	1,608,471	1,693,827	4,311,855	3,748,118	5,920,326	5,441,945
Grants	<u>1,251,946</u>	<u>2,137,842</u>	<u>-</u>	<u>180,000</u>	<u>1,251,946</u>	<u>2,317,842</u>
Total Revenues	<u>9,611,204</u>	<u>11,194,611</u>	<u>5,501,124</u>	<u>5,055,764</u>	<u>15,112,328</u>	<u>16,250,375</u>
Expenses						
General Government	1,770,076	942,801	-	-	1,770,076	942,801
Public Safety	2,677,933	2,738,374	-	-	2,677,933	2,738,374
Public Works	1,994,719	1,511,152	-	-	1,994,719	1,511,152
Parks and Recreation	1,091,158	796,336	-	-	1,091,158	796,336
Interest on Long-term Debt	85,406	159,645	-	-	85,406	159,645
Utilities	-	-	3,043,470	2,986,192	3,043,470	2,986,192
Secondary Water	-	-	<u>1,039,015</u>	<u>1,129,502</u>	<u>1,039,015</u>	<u>1,129,502</u>
Total Expenses	<u>7,619,292</u>	<u>6,148,308</u>	<u>4,082,485</u>	<u>4,115,694</u>	<u>11,701,777</u>	<u>10,264,002</u>
Changes in Net Assets before Contributions	1,991,912	5,046,303	1,418,639	940,070	3,410,551	5,986,373
Infrastructure Contributions from Developers	<u>276,768</u>	<u>858,159</u>	<u>1,659,774</u>	<u>2,534,706</u>	<u>1,936,542</u>	<u>3,392,865</u>
Change in Net Assets	2,268,680	5,904,462	3,078,413	3,474,776	5,347,093	9,379,238
Net Assets - Beginning	35,196,365	29,377,042	28,781,004	25,363,824	63,977,369	54,740,866
Prior period adjustments	-	<u>(85,139)</u>	-	<u>(57,596)</u>	-	<u>(142,735)</u>
Net Assets-Beginning Restated	<u>35,196,365</u>	<u>29,291,903</u>	<u>28,781,004</u>	<u>25,306,228</u>	<u>63,977,369</u>	<u>54,598,131</u>
Net Assets - Ending	<u>\$ 37,465,045</u>	<u>\$ 35,196,365</u>	<u>\$ 31,859,417</u>	<u>\$ 28,781,004</u>	<u>\$ 69,324,462</u>	<u>\$ 63,977,369</u>
Percentage Change from Previous Year	6.4%	20.2%	10.7%	13.7%	8.4%	17.2%

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

The table below shows to what extent the City's activities relied on taxes and other general revenues to cover all of their costs. For 2007, these programs generated \$7.2 million or 62% of their total expenses through charges for services, operating grants, and capital grants. Taxes, impact fees and other general revenues covered the remaining 38% of expenses.

Syracuse City
Net Cost of Activities
For the Year Ended June 30, 2007

	<u>Total Program Expenses</u>	<u>Less Program Revenues</u>	<u>Program Revenue as a Percentage of Total Expenses</u>	<u>Net Program Costs (funded with General revenues)</u>
Governmental Activities:				
General Government	\$ 1,770,076	\$ 1,426,694	81%	\$ 343,382
Public Safety	2,677,933	248,951	9%	2,428,982
Public Works	1,994,719	973,341	49%	1,021,378
Parks and Recreation	1,091,158	211,431	19%	879,727
Business-type Activities:				
Utilities	3,043,470	3,315,006	109%	(271,536)
Secondary Water	1,039,015	996,849	96%	42,166
Totals	<u>\$ 11,616,371</u>	<u>\$ 7,172,272</u>	62%	<u>\$ 4,444,099</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances in the City's governmental funds remained constant. The newly organized MBA added large dollars to the assets but also to the liabilities. The most significant activity follows:

The General Fund sales tax from new commercial businesses has finally become a dominant funding source for funding ongoing operations. Sales tax increased this year by \$494,237 or 27%. This year's total of \$2,299,384 is 24% of total governmental activities revenues.

The Municipal Building Authority recorded large assets and liabilities and they bonded to provide funding for the construction of the new City Hall and updating of existing city buildings. \$9,350,000 was borrowed of which \$6,949,472 was still on hand at June 30, 2007.

The \$1,195,350 beginning balance in the Capital Improvements was depleted as the community center construction was completed and the facility became operational.

The Enterprise Funds (Utilities and Secondary Water) had another challenging year of growth. Revenues increased 9% to \$5,501,124 over the previous year due to the continued growth in our community. The healthy combined operating income of \$437,164 was 10% of total operating revenues of \$4,311,855. Total assets continued to accumulate as developers continued building and contributing the infrastructure utility system for new subdivisions.

BUDGET CHANGES

During the year the City Council determined to proceed with unbudgeted storm sewer projects. The storm sewer projects budget was increased to \$2,120,000 from the original \$416,500. The original general fund budget received only minor increases through the year. The ending general fund revenue budget was \$444,000 more than the originally adopted budget. The departments receiving the majority of the appropriation increase were \$130,000 for fire department small equipment grants and \$275,000 for Class "C" Roads projects.

SYRACUSE CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Syracuse City added \$10.1 million in new capital assets during the year ended June 30, 2007. Of that total \$1.9 million was contributed by developers as part of new roads, utility lines and shares of water stock. \$3.2 million was related to city funded park improvements and utility lines. The Community Center and City Hall construction added \$4.6 million to construction in process. The remaining \$433,655 consisted of vehicle and equipment purchases.

Long-term Debt

The newly created Municipal Building Authority of Syracuse issued \$9,350,000 in December 2006. Debt payments for the year totaled \$615,148. At the end of the current fiscal year the City had \$13,548,000 in various debt commitments that were all secured by specific revenue sources.

	Syracuse City Long-term Debt As of June 30th	
	<u>2007</u>	<u>2006</u>
Governmental Activities:		
Excise Tax Road Bonds	\$ 330,000	\$ 485,000
Special Assessment Bonds	315,000	409,000
Park Development Bonds	1,875,000	1,990,000
MBA Lease Revenue Bonds	9,350,000	-0-
Capital Improvements Loan	1,000,000	1,000,000
Business-type Activities:		
Water Revenue Note 1992A	330,000	385,000
Water Revenue Note 0221	348,000	406,000
Capital Equipment Lease	-0-	138,148
Total Long-term Liabilities	<u>\$ 13,548,000</u>	<u>\$ 4,813,148</u>

OTHER MATTERS

The City Council has created the Municipal Building Authority of Syracuse. This separate entity was organized as a functional way for the City to organize financing for the new City Hall and remodeling of existing buildings to accommodate the growing police, fire, and public works departments.

REQUESTS FOR INFORMATION

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

LaMar Holt – Finance Director
1787 South 2000 West
Syracuse, Utah 84075

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,165,187	\$ 3,031,838	\$ 13,197,025
Accounts Receivable	120,944	404,552	525,496
Taxes Receivable	682,474	-	682,474
Prepaid expenses	70,613	-	70,613
Deposits	666,440	1,000,000	1,666,440
Unamortized costs of issuance	252,593	-	252,593
Capital Assets:			
Land and Related Non-depreciable Assets	14,271,168	8,753,611	23,024,779
Depreciable Infrastructure	33,161,247	24,812,201	57,973,448
Buildings, Equipmt., & Other Depreciable Assets	9,506,656	1,414,005	10,920,661
Less Accumulated Depreciation	(16,452,217)	(6,703,837)	(23,156,054)
Total Capital Assets	40,486,854	28,275,980	68,762,834
TOTAL ASSETS	52,445,105	32,712,370	85,157,475
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,642,402	174,953	1,817,355
Interest payable	150,202	-	150,202
Long-term Debt	-	-	-
Premium on bonds	215,910	-	215,910
Due Within One Year	974,000	113,000	1,087,000
Due in More Than One Year	12,082,630	565,000	12,647,630
TOTAL LIABILITIES	15,065,144	852,953	15,918,097
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	27,250,742	27,597,980	54,848,722
Restricted for:			
"C" Road activities	876,683	-	876,683
Impact fees	1,832,448	1,396,243	3,228,691
Special revenue activities	6,851,513	-	6,851,513
Debt service	54,264	67,523	121,787
Unrestricted	514,311	2,797,671	3,311,982
TOTAL NET ASSETS	\$ 37,379,961	\$ 31,859,417	\$ 69,239,378

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

SYRACUSE CITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 1,741,641	\$ 1,291,365	\$ 135,329	\$ -
Public Safety	2,677,933	126,923	122,028	-
Public Works	1,994,719	40,595	607,746	325,000
Parks and Recreation	1,091,158	149,588	-	61,843
Interest and Other Charges on Long-term Debt	198,925	-	-	-
Total Governmental Activities	7,704,376	1,608,471	865,103	386,843
Business-type:				
Utilities	3,043,470	3,315,006	-	-
Secondary Water	846,015	996,849	-	-
Total Business-type Activities	3,889,485	4,311,855	-	-
Total Primary Government	\$ 11,593,861	\$ 5,920,326	\$ 865,103	\$ 386,843

General Revenues:
 Property Tax
 Sales Tax
 Franchise Tax
 Total Taxes
 Impact fees
 Unrestricted Interest Earned
 Other General Revenues:
 Miscellaneous
 Developers contributions
 Transfer in (out)
 Other General Revenues - Total
 Total General Revenues
 Change in Net Assets
 Net Assets-Beginning
 Net Assets-Ending

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

EXHIBIT B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (314,947)	\$ -	\$ (314,947)
(2,428,982)	-	(2,428,982)
(1,021,378)	-	(1,021,378)
(879,727)	-	(879,727)
(198,925)	-	(198,925)
<u>(4,843,959)</u>	<u>-</u>	<u>(4,843,959)</u>
-	271,536	271,536
-	150,834	150,834
-	422,370	422,370
<u>(4,843,959)</u>	<u>422,370</u>	<u>(4,421,589)</u>
876,587	-	876,587
2,299,383	-	2,299,383
956,251	-	956,251
<u>4,132,221</u>	<u>-</u>	<u>4,132,221</u>
1,877,059	993,477	2,870,536
483,898	195,792	679,690
64,609	-	64,609
276,768	1,659,774	1,936,542
193,000	(193,000)	-
<u>534,377</u>	<u>1,466,774</u>	<u>2,001,151</u>
7,027,555	2,656,043	9,683,598
2,183,596	3,078,413	5,262,009
35,196,365	28,781,004	63,977,369
<u>\$ 37,379,961</u>	<u>\$ 31,859,417</u>	<u>\$ 69,239,378</u>

SYRACUSE CITY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Redevelopment Fund	Municipal Building Authority Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,691,386	\$ 12,041	\$ 6,949,472
Accounts Receivable	14,891	-	-
Taxes Receivable	579,634	-	-
Due from other funds	156,068	-	-
Prepaid expenses	70,613	-	-
Deposits	666,440	-	-
TOTAL ASSETS	5,179,032	12,041	6,949,472
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,642,402	-	-
Due to other funds	-	110,000	-
Deferred income	-	-	-
TOTAL LIABILITIES	1,642,402	110,000	-
FUND BALANCES			
Reserved for "C" Roads	876,683	-	-
Reserved for impact fees	1,863,642	-	-
Reserved for Special Revenue Funds	-	(97,959)	6,949,472
Reserved for Debt Service Funds	-	-	-
Unreserved, reported in:			
General Fund	796,305	-	-
Capital Projects Funds	-	-	-
TOTAL FUND BALANCES	3,536,630	(97,959)	6,949,472
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,179,032	\$ 12,041	\$ 6,949,472

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

EXHIBIT C

S.I.D. Debt Service Fund	Storm Sewer Construction Fund	Capital Improvements Fund	Total Governmental Funds
\$ 54,264	\$ -	\$ 165,339	\$ 10,872,502
91,179	14,874	-	120,944
-	-	102,840	682,474
-	-	-	156,068
-	-	-	70,613
-	-	-	666,440
<u>145,443</u>	<u>14,874</u>	<u>268,179</u>	<u>12,569,041</u>
-	-	-	1,642,402
-	46,068	-	156,068
91,179	-	-	91,179
<u>91,179</u>	<u>46,068</u>	<u>-</u>	<u>1,889,649</u>
-	-	-	876,683
-	(31,194)	-	1,832,448
-	-	-	6,851,513
54,264	-	-	54,264
-	-	-	796,305
-	-	268,179	268,179
<u>54,264</u>	<u>(31,194)</u>	<u>268,179</u>	<u>10,679,392</u>
<u>\$ 145,443</u>	<u>\$ 14,874</u>	<u>\$ 268,179</u>	<u>\$ 12,569,041</u>

RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENT FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balance -- governmental funds		\$ 10,679,392
Amount 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 as assets in governmental funds. These assets consist of:		
Land and related non-depreciable assets	11,514,260	
Depreciable Infrastructure	33,161,247	
Buildings, equipment, and other depreciable assets	8,132,631	
Construction in process	2,756,908	
Accumulated Depreciation	<u>(15,952,422)</u>	
Total Capital Assets		39,612,624
Bond issuance costs are amortized over the life of the bonds on the statement of net assets		252,593
Governmental funds defer revenues of accounts receivable that are not available to finance current-period expenditures. The Special Improvement District receivable is a property assessment due in annual installments.		91,179
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.		166,915
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Debt	(12,870,000)	
Compensated absences	(186,630)	
Unamortized premium	(215,910)	
Interest payable	<u>(150,202)</u>	
Total Long-Term Debt		<u>(13,422,742)</u>
Total net assets --- governmental activities		<u>\$ 37,379,961</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

SYRACUSE CITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Redevelopment Fund	Municipal Building Authorit Fund
REVENUES:			
Taxes	\$ 3,132,601	\$ 43,369	\$ -
Licenses and permits	819,988	-	-
Impact fees	1,547,289	-	-
Intergovernmental revenues	1,231,946	-	-
Charges for services	579,603	-	-
Fines and forfeitures	208,880	-	-
Interest	245,508	-	209,441
Miscellaneous	22,479	-	-
Total	<u>7,788,294</u>	<u>43,369</u>	<u>209,441</u>
EXPENDITURES:			
Current:			
General government	1,587,366	-	-
Public safety	2,567,880	-	-
Public works	689,921	-	-
Parks and Recreation	838,031	-	-
Capital outlay	1,919,101	138,109	2,836,160
Debt service:			
Principal retirement	270,000	-	-
Interest and other	96,068	3,353	-
Other interest expense	42,965	-	-
Total	<u>8,011,332</u>	<u>141,462</u>	<u>2,836,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPE BEFORE OTHER FINANCING SOURCES (USES)	<u>(223,038)</u>	<u>(98,093)</u>	<u>(2,626,719)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from borrowings	-	-	9,576,191
Transfers in	193,000	-	-
Transfers out	(64,500)	-	-
Total	<u>128,500</u>	<u>-</u>	<u>9,576,191</u>
NET CHANGE IN FUND BALANCES	(94,538)	(98,093)	6,949,472
FUND BALANCES, BEGINNING OF YEAR	<u>3,631,168</u>	<u>134</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,536,630</u>	<u>\$ (97,959)</u>	<u>\$ 6,949,472</u>

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

EXHIBIT E

<u>S.I.D. Debt Service Fund</u>	<u>Storm Sewer Construction Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 956,251	\$ 4,132,221
-	-	-	819,988
-	329,770	-	1,877,059
-	-	-	1,231,946
-	-	-	579,603
-	-	-	208,880
4,077	2,505	22,367	483,898
50,196	-	42,130	114,805
<u>54,273</u>	<u>332,275</u>	<u>1,020,748</u>	<u>9,448,400</u>
39	-	-	1,587,405
-	-	-	2,567,880
-	114,339	-	804,260
-	-	215,886	1,053,917
-	260,710	1,732,033	6,886,113
94,000	-	-	364,000
24,773	-	-	124,194
-	-	-	42,965
<u>118,812</u>	<u>375,049</u>	<u>1,947,919</u>	<u>13,430,734</u>
<u>(64,539)</u>	<u>(42,774)</u>	<u>(927,171)</u>	<u>(3,982,334)</u>
-	-	-	9,576,191
64,500	-	-	257,500
-	-	-	(64,500)
<u>64,500</u>	<u>-</u>	<u>-</u>	<u>9,769,191</u>
(39)	(42,774)	(927,171)	5,786,857
<u>54,303</u>	<u>11,580</u>	<u>1,195,350</u>	<u>4,892,535</u>
<u>\$ 54,264</u>	<u>\$ (31,194)</u>	<u>\$ 268,179</u>	<u>\$ 10,679,392</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balance - total governmental funds	\$	5,786,857
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital purchases (\$6,770,110) exceeded depreciation (\$1,344,318) during the current period.		5,425,792
The governmental funds report the amount due from future year property tax assessments as deferred revenue rather than revenue. The statement of net assets recognizes those revenues. This is the current year change in the deferred revenue of the S.I.D Debt Service Fund.		(50,196)
The long-term portion of the liability for compensated absences is not recorded in the fund level, but is reported in the statement of net assets. This is the current year change in the liability, reported as an expense in the statement of activities.		(16,966)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The governmental funds report interest expense when it is paid, however the statement of net assets reports interest when it accrues. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Bond proceeds	(9,350,000)	
Premium on issuance	(226,191)	
Amortization of premium	10,281	
Cost of issuance	266,204	
Amortization of cost of issuance	(13,611)	
Accrued interest	(150,202)	
Repayment of bond principal	<u>364,000</u>	(9,099,519)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(139,140)
Governmental funds do not report contributions of infrastructure from developers as a revenue in the governmental statements. It is recorded as part of the entity wide presentation.		<u>276,768</u>
Changes in net assets of governmental activities	\$	<u>2,183,596</u>

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

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	Utility Fund	Secondary Water Fund	Total Enterprise Funds	Motor Pool Fund
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ 3,031,838	\$ -	\$ 3,031,838	\$ -
Accounts receivable (net)	311,704	92,848	404,552	-
Due from other units of government	-	-	-	-
Due from other funds	243,488	-	243,488	-
Total Current Assets	3,587,030	92,848	3,679,878	-
NONCURRENT ASSETS:				
Loan to Capital Projects Fund	1,000,000	-	1,000,000	-
Capital Assets:				
Water Stock	476,250	7,226,270	7,702,520	-
Land	20,308	26,125	46,433	-
Land improvements not depreciated	-	1,004,658	1,004,658	-
Buildings	56,700	681,500	738,200	-
Furnishings, fixtures, and equipment	386,288	289,517	675,805	1,374,025
Water delivery system	10,276,375	8,546,507	18,822,882	-
Sewer collection system	5,989,319	-	5,989,319	-
Less accumulated depreciation	(4,098,092)	(2,605,745)	(6,703,837)	(499,795)
Total capital assets	13,107,148	15,168,832	28,275,980	874,230
Total Noncurrent Assets	14,107,148	15,168,832	29,275,980	874,230
TOTAL ASSETS	17,694,178	15,261,680	32,955,858	874,230
LIABILITIES				
CURRENT LIABILITIES:				
Due to other funds	-	243,488	243,488	707,315
Accounts payable	71,513	-	71,513	-
Customer deposits	103,440	-	103,440	-
Bonds payable	113,000	-	113,000	-
Total Current Liabilities	287,953	243,488	531,441	707,315
LONG-TERM LIABILITIES - Bonds payable	565,000	-	565,000	-
TOTAL LIABILITIES	852,953	243,488	1,096,441	707,315
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT RESTRICTED FOR IMPACT FEES	12,429,147	15,168,832	27,597,979	874,230
RESTRICTED FOR DEBT SERVICE UNRESTRICTED	2,948,312	(150,640)	2,797,672	(707,315)
TOTAL NET ASSETS	\$ 16,841,225	\$ 15,018,192	\$ 31,859,417	\$ 166,915

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Utility Fund	Secondary Water Fund	Total Enterprise Funds	Motor Pool Fund
OPERATING REVENUES:				
Water sales	\$ 1,195,835	\$ 864,871	\$ 2,060,706	\$ -
Sewer service charges	563,199	-	563,199	-
Refuse collection charges	1,154,574	-	1,154,574	-
Storm drain user fee	139,005	-	139,005	-
Connection fees	261,581	131,800	393,381	-
Department charges	-	-	-	243,393
Other	812	178	990	-
Total	3,315,006	996,849	4,311,855	243,393
EXPENSES:				
Salaries, wages, and benefits	679,576	196,817	876,393	-
Contractual services	1,629,368	298,937	1,928,305	-
Operations	314,533	20,195	334,728	237,592
Depreciation	419,993	315,272	735,265	132,488
Total	3,043,470	831,221	3,874,691	370,080
OPERATING INCOME (LOSS)	271,536	165,628	437,164	(126,687)
NONOPERATING REVENUES (EXPENSES):				
Impact fees	408,214	585,263	993,477	-
State grants and allotments	-	-	-	20,000
Interest revenue	195,332	460	195,792	-
Interest expense	-	(14,794)	(14,794)	(32,453)
Total	603,546	570,929	1,174,475	(12,453)
OTHER FINANCING SOURCES(USES)				
Transfers out		(193,000)	(193,000)	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	875,082	543,557	1,418,639	(139,140)
CAPITAL CONTRIBUTIONS				
Developers infrastructure contributions	278,036	1,381,738	1,659,774	-
NET CHANGE IN ASSETS	1,153,118	1,925,295	3,078,413	(139,140)
NET ASSETS, BEGINNING OF YEAR	15,688,107	13,092,897	28,781,004	306,055
NET ASSETS, END OF YEAR	\$ 16,841,225	\$ 15,018,192	\$ 31,859,417	\$ 166,915

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Utility Fund	Secondary Water Fund	Proprietary Funds Total	Motor Pool Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 3,281,945	\$ 967,351	\$ 4,249,296	\$ 243,393
Cash received from other activities	812	178	990	-
Cash payments for payroll and benefits	(679,576)	(196,817)	(876,393)	-
Cash payments for goods and services	(1,881,995)	(392,585)	(2,274,580)	(237,592)
Net cash provided by operating activities	<u>721,186</u>	<u>378,127</u>	<u>1,099,313</u>	<u>5,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earned (charged) on cash deposits	<u>195,332</u>	<u>(14,334)</u>	<u>180,998</u>	<u>(26,650)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	-	(193,000)	(193,000)	-
Cash lent from (borrowed to) other funds as pooled cash	(243,488)	243,488	-	707,315
Federal and State development appropriations	-	180,000	180,000	20,000
Net cash provided by (used in) noncapital financing activities	<u>(243,488)</u>	<u>230,488</u>	<u>(13,000)</u>	<u>727,315</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Impact fees	408,214	585,263	993,477	-
Cash payments for property and equipment purchases	(281,006)	(793,331)	(1,074,337)	(332,788)
Cash received from the sale of assets	-	-	-	-
Principal payments on debt	(113,000)	-	(113,000)	(138,148)
Interest expense on capital lease	-	-	-	(5,803)
Net cash provided by (used in) noncapital financing activities	<u>14,208</u>	<u>(208,068)</u>	<u>(193,860)</u>	<u>(476,739)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	687,238	386,213	1,267,311	229,727
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,344,600	(386,213)	1,958,387	(229,727)
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,031,838</u>	<u>\$ -</u>	<u>\$ 3,031,838</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 271,536	\$ 165,628	\$ 437,164	\$ (126,687)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	419,993	315,272	735,265	132,488
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(32,249)	(29,320)	(61,569)	-
Increase (decrease) in accounts payable and accrued liabilities	61,906	(73,453)	(11,547)	-
Total adjustments	<u>449,650</u>	<u>212,499</u>	<u>662,149</u>	<u>132,488</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 721,186</u>	<u>\$ 378,127</u>	<u>\$ 1,099,313</u>	<u>\$ 5,801</u>
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Developers infrastructure contributions	\$ 278,036	\$ 1,381,738	\$ 1,659,774	\$ -

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

THIS PAGE INTENTIONALLY LEFT BLANK

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Syracuse City (the City) conform in all material respects to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the City's significant accounting policies.

A. Reporting Entity

The City is incorporated under the constitutional provisions of the State of Utah. The City operates under a Council-Mayor form of government. The Mayor and the five council members are elected at large with staggered terms. The Mayor is the administrative authority by statute, however, in Syracuse City, that responsibility has been delegated to the City Administrator. Council has budgetary authority over all city departments and is accountable for all fiscal matters. City sales taxes, property taxes, utility user fees and development impact fees fund the majority of the costs of providing services to citizens including general administrative, judicial services (justice court), planning and zoning, public safety (police and fire), public utilities (culinary water, secondary water, sewer and garbage collection), highways and streets, parks-recreation, and public improvements.

The Basic Financial Statements of the City include the financial statements for all activities of the City based on the criteria set forth in GASB Statement 14. In defining the governmental entity for financial reporting purposes other legally separate entities are considered for inclusion as component units of the City entity. The following are the factors to be considered:

1. financial accountability, meaning the City appoints a majority of an organization's governing body *and* either 1) the City can impose its will on the organization, or 2) the organization has the potential to provide specific financial benefits to, or impose specific financial burdens on the City.
2. whether a board or agency is fiscally dependent on the City
3. whether the relationship with the organization is such that it would be misleading to exclude it from the City's financial statements.

The reporting entity of these financial statements includes the Syracuse City Redevelopment Agency and the Municipal Building Authority of Syracuse. The basic criterion to include these separate entities as *component units* in this report is that the City's governing body is also their governing body and they exist exclusively to accomplish specific purposes of the City Council.

Blended Component Units - Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

Syracuse City Redevelopment Agency (RDA) is governed by a six-member board comprised of the City Council and Mayor. Its sole purpose is a financing tool that allows Syracuse City to gather property tax increment dollars from increased property values to pay for improvements in designated redevelopment areas. Activities for the RDA are blended with the City's special revenue funds. Separate financial statements are not issued or required for the Authority. The RDA is considered to be a blended component unit because the governing body is the same as the governing body of Syracuse City.

Municipal Building Authority of Syracuse (MBA) is governed by a six-member board comprised of the City Council and Mayor. Its sole purpose is a financing tool that allows municipal facilities to be funded without requiring a vote of citizens. The MBA, as a separate entity, borrows monies and constructs municipal facilities which it owns. The City leases the structures from the MBA. These lease payments provide the revenue stream for the MBA to make the debt payments as they come due. The facilities are deeded to the government entity at the time the debt is extinguished. Activities for the MBA are blended with the City's special revenue funds. Separate financial statements are not issued or required for the Authority. The MBA is considered to be a blended component unit because the governing body is the same as the governing body of Syracuse City.

Discretely Presented Component Units - Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. No entities have been identified as discretely presented component units.

B. Government-wide And Fund Financial Statements

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

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

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

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for *governmental* and *proprietary funds*.

GASB 34 introduced the concept of *major funds* to the fund statements. Because governments typically have too many funds to include information on each individual fund with the basic financial statements, criteria has been established to identify those funds that are reported in separate columns (*major funds*) and those that are grouped together (*non-major funds*). The small number of funds Syracuse City has designated all of its governmental funds as "major". The RDA Fund, Special Improvement District Debt Service Fund, and the Storm Sewer Construction Fund did not meet the criteria of a "*major fund*" but were included for simplicity in the report presentation.

The City reports the following governmental funds:

- **General Fund** – This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.
- **RDA Fund** – This special revenue fund accounts for all activities of the Syracuse City Redevelopment Agency.
- **MBA Fund** – This special revenue fund accounts for all activities of the Municipal Building Authority of Syracuse.
- **Special Improvement District / Debt Service Fund** – This fund accounts for the receipt of property assessment payments and the repayment of sidewalk improvement debt.
- **Storm Sewer / Capital Projects Fund** – This special revenue fund accounts for the construction of storm sewers throughout the City.
- **Capital Improvements / Capital Projects Fund** – This fund accounts for the monies that are being accumulated to provide additional City facilities as growth creates specific needs.

The City reports the following proprietary funds:

- **Secondary Water Fund** – This fund accounts for the operations of the pressurized irrigation system throughout the City.
- **Utility Fund** – This fund accounts for the operation of the culinary water, sewer, storm sewer, and garbage services of the City.
- **Motor Pool / Internal Service Fund** – This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City maintains a motor pool fund to account for the costs of owning and operating vehicles. This fund is reported on the proprietary fund statements but is combined with governmental activities on the government-wide statements.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Other taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating items, such as interest expense and investment earnings, result from non-exchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those standards conflict with a GASB pronouncement.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

D. Assets, Liabilities, and Fund Balances / Net Assets

Following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Cash and Investments - Cash and cash equivalents consist of demand deposits with a local bank. The City invests any cash that is not anticipated to be required within two weeks in the Public Treasurers Investment Fund (PTIF) administered by the State of Utah Treasurer's Office. Original maturities with PTIF are considered to be less than three months, thus, all deposits and investments are recorded at cost which is also considered to be fair value.

Accounts Receivable - Receivables from other governments are reasonably assured; accordingly, no allowance for uncollectible accounts has been established. Accounts Receivable from utility customers are offset by an allowance of estimated uncollectible accounts.

Taxes Receivable - Taxes receivable include accrued amounts for sales tax and delinquent property tax. Sales tax collected on retail sales throughout the state, are forwarded to the Utah State Tax Commission. These taxes are processed centrally and distributed according to formula to each unit of government imposing a sales tax at the end of the second month after they have been collected by the retailer.

The property tax year runs from Jan 1st – Dec 31st of each year. Taxes are payable by November 30th. Each County bills and collects property taxes for all taxing entities within the County. Collections are distributed to the taxing entities monthly, with final settlement due March 31st of the subsequent year. The City records a receivable for those items actually collected by the County Treasurer but not yet transferred to the City.

Due to/Due from other funds - All cash and cash equivalents are accounted for in a pooled cash process. The money from each fund is co-mingled to simplify the banking process. A particular fund may make disbursements of funds that have not physically been received. This technically requires that they draw from other fund's resources within the co-mingled total. When this cash deficit occurs a *due to* account is charged in the funds requiring additional funds and a *due from* account is selected to offset the use of funds.

Other Assets - Deposits with vendors and returned checks being held are recorded as other assets.

Capital Assets - The City defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost where historical cost information is not available. Donated capital assets are recorded at estimated fair value on the date of donation.

Capital assets purchased by governmental funds are recorded as expenditures in the governmental fund statements. Interest expense for capital asset construction related to governmental activities is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Water Stock is recorded as a capital asset. It is considered a key element of infrastructure rather than an investment instrument. Infrastructure improvements, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure Improvements	30
Buildings	30
Equipment	5 - 20

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Compensated Absences and Post-employment Benefits - City employees accrue vacation leave up to a maximum of 240 hours according to the following schedule:

<u>Years of Service</u>	<u>Hours Accrued Per Pay Period</u>
0 - 4 years	3.08 (10 days per year)
5 - 9 years	3.69 (12 days per year)
10 - 14 years	4.61 (15 days per year)
Over 14 years	6.15 (20 days per year)

Employees are allowed to carry up to 240 hours of unused vacation leave into the next calendar year, and all unused vacation leave is paid to employees upon termination. Employees may also earn compensatory time but only at the discretion of the city administrator. The rate is one and one-half hours for each hour worked, with a maximum accrual of 480 hours for public safety employees and 240 hours for all others.

Vacation and compensatory leave are recorded as expenditures when used in governmental funds and as expenses when earned in proprietary funds and in the government-wide statements. A liability for unused vacation and compensatory leave is recorded in the government-wide Statement of Net Assets.

Permanent full-time employees accrue sick leave at a rate of 3.69 hours for each two-week pay-period while part-time merit employees accrue sick leave at a pro-rated portion. Sick leave may accrue to a maximum of 1,040 hours. Sick leave is recorded as an expenditure/expense when used in all funds, and no liability is recorded for unused sick leave.

Upon retirement, the City will pay the employee for 20% of all unused sick leave hours. The employee who is terminated or resigns shall not be compensated for unused accrued sick leave.

Long-term Obligations - In the government-wide statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized as expenditures in the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The face amount of debt issued is reported as other financing sources.

Net Assets/Fund Balances - The difference between assets and liabilities is *net assets* on the government-wide and proprietary fund statements, and *fund balance* on the governmental fund statements.

The government wide statements classify net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of 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.”

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not appropriable for expenditure or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management’s tentative plans for specific future uses.

It is the City’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Revenues and Expenditures

Following are the City’s significant policies related to recognition and reporting of certain revenues and expenditures:

Revenue Availability - Under the modified accrual basis of accounting, revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Syracuse City considers property tax revenues to be “available” if they are collected by the Treasurer’s Tax Collection Agency Fund before year-end. Sales taxes are considered revenue when they have been collected at the point of sale. Grants are recognized as revenue when all eligibility requirements have been met. All other revenues are considered to be available if they are received within 60 days after year-end.

Expenditure Recognition - In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. When expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgeting and Budgetary Control

Annual budgets are prepared and adopted before June 22nd for the calendar year commencing the following July 1st in accordance with the Uniform Fiscal Procedures Act for Utah Cities. Once a budget has been adopted, it remains in effect until it has been formally revised. If any obligations are contracted for in excess of the adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Adopting the Annual Budget - Each spring budget officer submits a tentative operating budget to the City Council for the calendar year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. The tentative operating budget is reviewed and tentatively adopted by the City Council they also set a date for a public hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection ten days prior to the budget hearing. After the budget hearing, the tentative budget, with any amendments is legally enacted through passage of a resolution. A copy of the budget is certified by the budget officer and filed with the State Auditor within thirty days of adoption. A copy of the budget is available to the public after adoption.

Control of budgeted expenditures is exercised, under state law, at the department level. Administrative control is maintained through detailed line-item budgets for all departments. All appropriations lapse at the end of the calendar year. Budgets for the General Fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Budgets for proprietary funds are not legally required.

Modifying the Adopted Budget - Transfers of unexpended appropriations from one expenditure account to another in the same department can be made by consent of the department heads. Transfers of unexpended appropriations from one department to another department, as well as budget reductions for any department, may be made with consent of the Council. Expenditure appropriations of the General Fund may be increased by resolution only after a public hearing. Any other fund appropriation may be increased after giving public notice that the City Council will consider such a matter. Notice must be published seven days in advance of the meeting to consider the action. During 2007, the City modified various budgets using the above procedure.

Current Year Excess of Expenditures Over Appropriations - For the year ended June 30, 2007 the following departments had expenditures that exceeded appropriations: Non-departmental, Buildings and Grounds, Fire, Parks, Recreation, Park Purchase Impact Fee (Capital outlay), Park Development Impact Fee (Capital outlay), and Storm Sewer Impact Fee (Capital Outlay). The blended component units Redevelopment Agency Fund and Municipal Building Authority Fund also had expenditures that exceeded appropriations. The Redevelopment Agency Fund also had a fund balance deficit at year end.

NOTE 2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed as "Cash and Cash Equivalents". Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (the Act) in handling its depository transactions. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. Utah statutes do not require deposits to be collateralized.

A. 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 formal deposit policy for custodial credit risk. Cash on hand at June 30, 2007 was \$650. The carrying amount of deposits was \$(184,758) and the bank balance was \$335,654. Of the bank balance, \$100,000 was covered by federal depository insurance and \$235,654 was uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2007, all of the \$13,381,133 of City investments were deposited with the PTIF. This investment matures in less than a year and is not rated.

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 manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2007 are as follows:

Cash on hand and on deposit:	
Cash on hand	\$ 650
Cash on deposit	(184,758)
PTIF investment	<u>13,381,133</u>
Total cash and investments	<u>\$13,197,025</u>

The entire balance is shown as "Cash and cash equivalents" on the combined state of net assets.

NOTE 3. ACCOUNTS RECEIVABLE

Receivables as of the fiscal year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Receivables:			
General Accounts Receivable	\$ 14,891	\$ -	\$ 14,891
Special Assessments	91,179	-	91,179
Utility and Service Charges	<u>14,874</u>	<u>409,979</u>	<u>424,853</u>
Gross Receivables	120,944	409,979	530,923
Less: Allowance for uncollectibles	<u>-</u>	<u>(5,427)</u>	<u>(5,427)</u>
Net Total Receivables	<u>\$ 120,944</u>	<u>\$ 404,552</u>	<u>\$ 530,923</u>

NOTE 4. INTERFUND BALANCES

Government-wide statements eliminate balances between funds. The individual fund statements show interfund balances as due to/due from other funds. These balances arise as the pooled-cash balance of a specific fund becomes negative, thus technically drawing on the pooled-cash of other funds. Interfund balances at June 30, 2007 consisted of the following amounts:

Governmental Activities:

General Fund (due from other funds)	\$ 863,383
Storm Sewer Construction fund (due to other funds)	\$ (46,068)
Motor Pool Fund (due to other funds)	\$ (707,315)
Redevelopmetn Agency (due to other funds)	\$ (110,000)

Business-type activities:

Utility Fund (due from other funds)	\$ 243,488
Secondary Water Fund (due to other funds)	\$ (243,488)

NOTE 5. CAPITAL ASSETS

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

	Capital Assets			
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 10,380,926	\$ 1,133,334	\$ -	\$ 11,514,260
Construction in process	2,455,800	2,720,158	2,419,050	2,756,908
Total	<u>12,836,726</u>	<u>3,853,492</u>	<u>2,419,050</u>	<u>14,271,168</u>
Capital assets being depreciated:				
Buildings and Improvements	1,677,835	4,347,603	-	6,025,438
Equipment	3,160,277	398,655	77,714	3,481,218
Infrastructure	31,962,281	1,198,966	-	33,161,247
Total	<u>36,800,393</u>	<u>5,945,224</u>	<u>77,714</u>	<u>42,667,903</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	727,062	142,533	-	869,595
Equipment	1,759,003	224,351	77,714	1,905,640
Infrastructure	12,567,060	1,109,922	-	13,676,982
Total	<u>15,053,125</u>	<u>1,476,806</u>	<u>77,714</u>	<u>16,452,217</u>
Capital assets being depreciated, net	<u>21,747,268</u>	<u>4,468,418</u>	<u>-</u>	<u>26,215,686</u>
Governmental Activity Capital Assets, Net	<u>\$ 34,583,994</u>	<u>\$ 8,321,910</u>	<u>\$ 2,419,050</u>	<u>\$ 40,486,854</u> (a)
Business-type Activities:				
Capital assets not being depreciated:				
Water Stock	\$ 6,457,020	\$ 1,245,500	\$ -	\$ 7,702,520 (b)
Land and land improvements	1,051,091	-	-	1,051,091
Total	<u>7,508,111</u>	<u>1,245,500</u>	<u>-</u>	<u>8,753,611</u>
Capital assets being depreciated:				
Buildings	56,700	681,500	-	738,200
Equipment	640,805	35,000	-	675,805
Infrastructure	24,036,098	776,102	-	24,812,200
Total	<u>24,733,603</u>	<u>1,492,602</u>	<u>-</u>	<u>26,226,205</u>
Less Accumulated Depreciation for:				
Buildings	1,795	1,134	-	2,929
Equipment	390,162	38,607	-	428,769
Infrastructure	5,572,622	699,518	-	6,272,140
Total	<u>5,964,579</u>	<u>739,259</u>	<u>-</u>	<u>6,703,838</u>
Capital assets being depreciated, net	<u>18,769,024</u>	<u>753,343</u>	<u>-</u>	<u>19,522,367</u>
Business-type Activities Capital Assets, Net	<u>\$ 26,277,135</u>	<u>\$ 1,998,843</u>	<u>\$ -</u>	<u>\$ 28,275,978</u>

(a) Capital Assets in these Government-wide Statements includes the Buildings, Equipment, and other Depreciable Assets, net of accumulated depreciation for the Motor Pool Internal Service Fund of \$874,230 rather than in the Business-type Activities.

(b) Water Stock has been included as a capital rather than a current asset because of the intended use of the asset. The City Council has acquired the Water Stock as part of the infrastructure of the secondary water delivery system.

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 152,945
Public Safety	101,246
Public Works	1,191,206
Parks and Recreation	31,409
Total Governmental Activities Depreciation Expense	<u>\$ 1,476,806</u>
Business-type Activities	
Utility	\$ 423,986
Secondary Water	315,272
Total Business-type Activities Depreciation Expense	<u>\$ 739,258</u>

NOTE 7. CUSTOMER DEPOSITS

Residential Utility customers pay a \$60 deposit when they sign up for utilities. This is held by the City until twelve consecutive timely utility payments are made. It is then refunded to the customer. As of June 30, 2007 the customer deposits balance held by the City was \$103,440.

NOTE 8. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities (including compensated absences)

Changes in long-term liabilities for the year ended June 30, 2006 were as follows:

	Long-term Liabilities				
	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Governmental Activities:					
Excise Tax Road Bonds	\$ 485,000	\$ —	\$ 155,000	\$ 330,000	\$ 160,000
Special Assessment Bonds	409,000	—	94,000	315,000	99,000
Park Development Bonds	1,990,000	—	115,000	1,875,000	115,000
MBA Facilities Bonds	—	9,350,000	—	9,350,000	—
Capital Equipment Lease	138,148	—	138,148	—	—
Capital Improvement Loan	1,000,000	—	—	1,000,000	500,000
Compensated Absences	169,664	126,178	109,212	186,630	100,000
Total	<u>4,191,812</u>	<u>9,476,178</u>	<u>611,360</u>	<u>13,056,630</u>	<u>974,000</u>
Business-type Activities:					
Water Revenue Note 1992A	385,000	—	55,000	330,000	55,000
Water Revenue Note 1992B	406,000	—	58,000	348,000	58,000
Total	<u>791,000</u>	<u>—</u>	<u>113,000</u>	<u>678,000</u>	<u>113,000</u>
Total Long-term Liabilities	<u>\$ 4,982,812</u>	<u>\$ 9,476,178</u>	<u>\$ 724,360</u>	<u>\$13,734,630</u>	<u>\$1,087,000</u>

The compensated absence liability of governmental activities is liquidated in the General Fund, special revenue fund, or internal service fund where the related employing department operates. Additional information related to these long-term liabilities is found in the following tables including debt service requirements to maturity.

B. Excise Tax Road Bonds

In January 1999, the City issued \$1.41 million of Series 1999 tax revenue bonds for the purpose of defraying a part of the cost of constructing additions and improvements to certain Class "C" roads within the City. Bonds Payable at June 30, 2007 consists of the following:

1999 Excise Tax Road Refunding Bonds Payable				
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>
01/12/1999	01/15/2009	4.35%	\$ 1,410,000	\$ 330,000
Total Excise Tax Road Bonds Payable				\$ 330,000

Debt Service Requirement to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 160,000	\$ 12,615
2009	170,000	5,546
Total	<u>\$ 330,000</u>	<u>\$ 18,161</u>

C. Special Assessment Bonds

The City authorized and issued Special Assessment Bonds on March 22, 2001 in the principal amount of \$865,958 for the purpose of constructing and installing curb, gutter and sidewalk. Bonds payable at June 30, 2007 consists of the following:

1999 Special Assessment Bonds Payable				
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>
03/22/2001	03/15/2010	4.90% -6.20%	\$865,958	\$ 315,000
Total Special Assessment Bonds Payable				\$ 315,000

Debt Service Requirement to Maturity

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 99,000	\$ 19,227
2009	105,000	13,287
2010	111,000	6,882
Total	<u>\$ 315,000</u>	<u>\$ 39,396</u>

D. Park Development Sales Tax Revenue Bonds, Series 2005

On April 5, 2005, the City issued \$2,100,000 in Park Development Sales Tax Revenue Bonds for the purpose of financing the acquisition of water shares; the construction of a water reservoir; improvements to the secondary water system; park improvements and other City-owned capital improvements. Park Development Bonds payable at June 30, 2007 consists of the following:

2005 Park Development Sales Tax Revenue Bonds Payable					
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>	
2005	04/28/2005	01/01/2020	3.0-4.3 %	\$ 2,100,000	\$ 1,875,000
Total Water Revenue Bonds Payable.....				\$ 1,875,000	

Debt Service Requirement to Maturity

	<u>Principal</u>	<u>Interest</u>
2008	\$ 115,000	\$ 72,653
2009	120,000	69,260
2010	125,000	65,480
2014	125,000	61,230
2012	130,000	56,793
2013- 2017	740,000	203,940
2018- 2020	520,000	45,026
Total	\$ 1,875,000	\$ 574,382

E. Municipal Building Authority Lease Revenue Bonds, Series 2006

On December 20, 2006, the MBA issued \$9,350,000 in Lease Revenue Bonds for the purpose of financing the construction of a new city hall, a public works addition, and the remodel of public safety structures. MBA Lease Revenue Bonds payable at June 30, 2007 consists of the following:

2006 Municipal Building Authority Lease Revenue Bonds Payable					
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>	
2006	04/28/2005	04/01/2028	4.0-5.0 %	\$ 9,350,000	\$ 9,350,000
Total Lease Revenue Bonds Payable.....				\$ 9,350,000	

Debt Service Requirement to Maturity

	<u>Principal</u>	<u>Interest</u>
2008	\$ -0-	\$ 399,191
2009	305,000	399,191
2010	330,000	385,466
2011	335,000	372,266
2012	350,000	358,866
2013 - 2017	1,980,000	1,561,180
2018 - 2022	2,415,000	1,113,023
2023 - 2027	2,965,000	562,275
2028	670,000	30,150
Total	\$ 9,350,000	\$ 5,181,608

F. Capital Equipment Lease Purchase

On January 15, 2002 Syracuse City entered into a Capital Lease agreement with Zions Bank to finance the purchase of fire and ambulance vehicles. The proceeds of the lease were \$637,256. The final payment on the equipment lease purchase financing was made in January 2007.

G. Capital Improvements loan from Utility Fund

On January 24, 2006, the City Council authorized the loan of \$1,000,000 of available Utility Fund monies to the Capital Improvements Fund in order to avoid the need to bond for the construction of the Community Center. The loan actually occurred on June 30, 2006. It is to be repaid within a three-year period at 5% interest. The balance at June 30, 2007 is as follows:

2006 Capital Improvements Loan					
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2007</u>
2006	06/30/2006	06/30/2009	5.0%	\$ 1,000,000	\$ 1,000,000
Total Capital Improvements Fund Loan Payable.....					<u>\$ 1,000,000</u>

Debt Service Requirement to Maturity

	<u>Principal</u>	<u>Interest</u>
2008	\$ 500,000	\$ 50,000
2009	500,000	25,000
Total	<u>\$ 1,000,000</u>	<u>\$ 125,000</u>

H. Water Revenue Notes, Series 1992

During January 1992, the City issued \$2,200,000 in Water Revenue Notes with the State of Utah. These are zero interest notes available to local units of government for the purpose of water conservation through improved delivery systems. The City used the proceeds from these notes to construct a storage reservoir and upgrade the main transmission lines throughout the City. Water Revenue Notes Payable at June 30, 2007 consists of the following:

1992 Water Revenue Notes Payable					
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
1992A	04/28/1992	01/01/2013	0.0%	\$ 1,100,000	\$ 330,000
1992B	04/28/1992	01/01/2013	0.0%	1,100,000	348,000
Total Water Revenue Bonds Payable.....					<u>\$ 678,000</u>

Debt Service Requirement to Maturity

	Series 1992A		Series 1992B		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 55,000	\$ 0	\$ 58,000	\$ 0	\$ 113,000	\$ 0
2009	55,000	0	58,000	0	113,000	0
2010	55,000	0	58,000	0	113,000	0
2011	55,000	0	58,000	0	113,000	0
2012	55,000	0	58,000	0	113,000	0
2013	55,000	0	58,000	0	113,000	0
Total.....	<u>\$ 330,000</u>	<u>\$ 0</u>	<u>\$ 348,000</u>	<u>\$ 0</u>	<u>\$ 678,000</u>	<u>\$ 0</u>

NOTE 9. INTERFUND TRANSFERS

Transfers between funds occur primarily to finance programs accounted for in one fund with resources collected in another fund. This year's transfers were as follows:

The General Fund transferred \$64,500 to the Special Improvement District Fund.

The Secondary Water Fund transferred \$193,000 to the General Fund payments on the Park Development Sales Tax Bond.

NOTE 10. 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. Since 1985 the City has purchased commercial insurance through the Utah Local Governments Insurance Trust to mitigate the costs of these risks. The City's responsibility extends only to the payment of premiums and deductibles of \$1,000 on general liability claims. This year's premium of \$74,471 is part of the non-departmental costs.

NOTE 11. LITIGATION AND CONTINGENCIES

The City records liabilities resulting from claims and legal actions when they become fixed or determinable in amount. The City is currently the defendant in several pending lawsuits. Legal counsel is of the opinion that potential claims against the City resulting from such litigation not covered by insurance do not pose a threat of significant liability to the City.

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, the City believes such disallowances, if any, will be immaterial.

NOTE 12. RETIREMENT PLANS

A. Pension Plans

Syracuse City contributes to the Local Government Noncontributory Retirement System, and the Public Safety Noncontributory Retirement System (collectively, the Systems), all of which are cost-sharing multiple-employer defined benefit pension plans. The Systems are administered by Utah Retirement Systems (URS) under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the governor. URS is established under and governed by Title 49 of *Utah Code Annotated, 1953*, as amended (UCA). URS publishes an annual financial report that includes financial statements and required supplementary information for all retirement systems and deferred compensation plans administered by it. Copies of the report may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102; by calling 1-800-365-8772; or by visiting www.urs.org.

Retirement benefits, as specified by UCA Title 49, cover substantially all employees of the State, public education, and other political subdivisions of the State. Only the State Legislature can modify benefits. The Systems provide pension, death, and disability benefits for employees who meet all eligibility requirements. Employees are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus years of service. A brief summary of eligibility, benefits, and contribution rates of the Systems is provided in the table below.

Expenditures or expenses for retirement costs are recorded in the City's funds as contributions are made to the Systems. Contributions made each year were equal to the contributions required by the City's contract with URS. Therefore, the City has no liability for pension obligations.

	<u>Local Government Noncontributory System</u>	<u>Firefighters System</u>	<u>Public Safety Noncontributory System</u>
Highest Average Salary	Highest 3 Years	Highest 3 Years	Highest 3 Years
Years of Service and Age of Eligibility	30 years any age 25 years any age (a) 20 years age 60 (a) 10 years age 62 (a) 4 years age 65	20 years any age 10 years age 60 4 years age 65	20 years any age 10 years age 60 4 years age 65
Benefit Percent per Year of Service	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary.	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary.
Annual Cost of Living Adjustment	up to 4.00%	up to 2.50%	up to 2.50%
2007 Rates as Percent of Covered Payroll:			
Employer	11.590%	10.840%	22.380%
Member	0.000%	0.000%	0.000%
Actual City Contributions Made, by year:			
2007	\$ 197,689	\$ 34,667	\$ 134,154
2006	\$ 153,066	\$ 10,262	\$ 92,857
2005	\$ 135,341	\$ -0-	\$ 81,991

B. Deferred Compensation Plans

The City participates in a 401(k) Plan and a 457 Plan (collectively, the Plans), both of which are defined contribution plans administered by URS. The Plans are in addition to the retirement benefits outlined above. Voluntary contributions may be made to the Plans subject to URS and Internal Revenue Service limitations. The City contributes a matching amount up to 4 percent of eligible employees' salaries to the 401(k) Plan, and employees may contribute to both Plans up to maximum percentages allowed by IRS regulations.

Account balances of the Plans are fully vested to the participants at the time of deposit. All assets and income of the Plans are held by URS for the exclusive benefit of the participants or their beneficiaries. For the year ended June 30, 2007 Syracuse City contributed \$124,821 to employees' 401(k) Plans.

NOTE 13. SYRACUSE CITY REDEVELOPMENT AGENCY (RDA)

The Syracuse City Redevelopment Agency was established in 1992 to target specific areas of the City that were planned for improvements. The Agency funds identified improvements to the project area properties. These improvements are authorized to be funded using the concept of property tax increment. This funding is provided by taking the property tax dollars that are paid on any increased value of the properties and improvements from the time the project was identified as those properties are developed until the defined amount has been recovered. These improvements act as a publicly funded stimulation to the project area intended to encourage private development of those areas.

The Agency has established two project areas, 1700 South established in 1993 and 750 West established in 2004. This has been the first year for each of the projects to receive tax increment payments from the property tax system. Infrastructure improvements have been made to the 1700 South project and road improvements are in place on the 750 West project.

These Redevelopment Projects collected \$43,369 in tax increment monies in the fiscal year ended June 30, 2007. This project did not have any outstanding debt at June 30, 2007, nor did it pay any taxes to a taxing agency.

The actual expenditures for the project consisted of the following:

1. \$138,109 for capital improvements to the targeted areas..
2. \$3,353 in interfund interest expense.

NOTE 14. MUNICIPAL BUILDING AUTHORITY OF SYRACUSE (MBA)

The Municipal Building Authority of Syracuse was established in August 2006 to allow the City to streamline the funding and construction of city facilities. The MBA borrows funding, constructs facilities, and leases them to the City. The lease payments made by the City provide the revenue for the MBA to make the debt payments. Eventually the debt is paid off and the properties are then deeded to the City.

The initial lease agreement between the City and the MBA is for a new City Hall, an addition to the City Shops, and remodeled/enlarged public safety facilities from the existing City Hall and Public Safety buildings. Bonds were issued in December 2006 and construction of these structures is almost half completed as of the report date.

REQUIRED SUPPLEMENTAL INFORMATION

SYRACUSE CITY

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Current property taxes	\$ 685,410	\$ 685,410	\$ 708,662	\$ 23,252
Fee-in-lieu	125,000	125,000	113,989	(11,011)
Delinquent prior years' taxes	13,500	13,500	10,566	(2,934)
Sales tax	1,952,183	2,247,183	2,299,384	52,201
Total	2,776,093	3,071,093	3,132,601	61,508
Licenses and permits:				
Business licenses	28,750	28,750	40,408	11,658
Building permits	810,250	810,250	779,580	(30,670)
Total	839,000	839,000	819,988	(19,012)
Impact fees:				
Park purchase	400,000	400,000	349,821	(50,179)
Park development	550,000	550,000	509,033	(40,967)
Public safety	210,000	210,000	119,290	(90,710)
Transportation	1,100,000	1,100,000	569,145	(530,855)
Total	2,260,000	2,260,000	1,547,289	(712,711)
Intergovernmental revenues:				
Class "C" road fund allotment	482,185	482,185	607,746	125,561
Liquor fund allotments	17,000	17,000	10,742	(6,258)
Federal appropriations	40,000	40,000	386,843	346,843
State grants and reimbursements	610,644	665,644	170,972	(494,672)
Local governments service agreements	48,000	48,000	55,643	7,643
Total	1,197,829	1,252,829	1,231,946	(20,883)
Charges for services:				
Development reviews and inspections	198,200	198,200	228,782	30,582
Recreation fees	95,300	95,300	125,179	29,879
Community Center fees	-	-	24,409	24,409
Ambulance revenue	135,000	135,000	126,923	(8,077)
Sale of maps and publications	750	750	55	(695)
Sale of cemetery lots	18,000	18,000	33,660	15,660
Burial fees	8,000	8,000	13,735	5,735
Road cut fees	-	-	4,860	4,860
Street light installations	85,000	85,000	22,000	(63,000)
Total	540,250	540,250	579,603	39,353
Fines and forfeitures	190,500	190,500	208,880	18,380
Interest	117,654	117,654	245,508	127,854
Miscellaneous:				
Sale of materials and supplies	1,000	1,000	2,666	1,666
Building rentals	5,000	5,000	1,171	(3,829)
Park reservations	800	800	3,594	2,794
Sundry	500	500	15,048	14,548
Total	7,300	7,300	22,479	15,179
TOTAL REVENUES	\$ 7,928,626	\$ 8,278,626	\$ 7,788,294	\$ (490,332)

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES:				
General government:				
City council	\$ 335,180	\$ 373,789	\$ 366,547	\$ 7,242
City court	164,348	164,348	156,227	8,121
Finance	158,258	158,258	155,642	2,616
Planning and zoning	403,327	429,063	425,239	3,824
Nondepartmental	123,200	300,870	350,125	(49,255)
Buildings and grounds	84,700	103,888	133,586	(29,698)
Total	<u>1,269,013</u>	<u>1,530,216</u>	<u>1,587,366</u>	<u>(57,150)</u>
Public safety:				
Police department	1,602,692	1,634,412	1,650,068	(15,656)
Fire department	897,338	897,338	917,812	(20,474)
Total	<u>2,500,030</u>	<u>2,531,750</u>	<u>2,567,880</u>	<u>(36,130)</u>
Public works:				
Building inspector	418,002	418,002	347,764	70,238
Class "C" roads	777,397	946,397	342,157	604,240
Total	<u>1,195,399</u>	<u>1,364,399</u>	<u>689,921</u>	<u>674,478</u>
Parks and recreation:				
Parks	288,611	288,611	409,041	(120,430)
Recreation	350,335	382,412	396,926	(14,514)
Cemetery	45,087	45,087	15,213	29,874
Museum	31,906	31,906	16,851	15,055
Total	<u>715,939</u>	<u>748,016</u>	<u>838,031</u>	<u>(90,015)</u>
Capital outlay	<u>1,341,329</u>	<u>1,366,329</u>	<u>1,919,101</u>	<u>(552,772)</u>
Debt Service:				
Debt Principal	270,000	270,000	270,000	-
Debt interest and fees	99,000	99,000	96,068	2,932
Total	<u>369,000</u>	<u>369,000</u>	<u>366,068</u>	<u>2,932</u>
TOTAL EXPENDITURES	<u>7,390,710</u>	<u>7,909,710</u>	<u>7,968,367</u>	<u>(58,657)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(1,730,570)</u>	<u>368,916</u>	<u>(180,073)</u>	<u>(79,189)</u>
OTHER FINANCING SOURCES (USES):				
Other interest expense	-	-	(42,965)	(42,965)
Transfers in	193,000	193,000	193,000	-
Transfers out	(604,500)	(664,500)	(64,500)	600,000
Total	<u>(411,500)</u>	<u>(471,500)</u>	<u>85,535</u>	<u>557,035</u>
NET CHANGE IN FUND BALANCE	<u>(2,142,070)</u>	<u>(102,584)</u>	<u>(94,538)</u>	<u>477,846</u>
FUND BALANCE, BEGINNING OF YEAR	<u>3,691,162</u>	<u>3,631,168</u>	<u>3,631,168</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,549,092</u>	<u>\$ 3,528,584</u>	<u>\$ 3,536,630</u>	<u>\$ 477,846</u>

REDEVELOPMENT AGENCY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE:				
Property tax increment	\$ -	\$ -	\$ 43,369	\$ 43,369
Total	-	-	43,369	43,369
EXPENDITURES:				
General government:				
Interest expense	-	-	3,353	(3,353)
750 West project improvements	100,000	100,000	138,109	(38,109)
Total	100,000	100,000	141,462	(41,462)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(100,000)	(100,000)	(98,093)	1,907
OTHER FINANCING SOURCES - Transfer in	-	-	-	-
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	(98,093)	1,907
FUND BALANCE, BEGINNING OF YEAR	144	134	134	-
FUND BALANCE, END OF YEAR	\$ (99,856)	\$ (99,866)	\$ (97,959)	\$ 1,907

MUNICIPAL BUILDING AUTHORITY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE:				
Interest income	\$ -	\$ -	\$ 209,441	\$ 209,441
Total	<u>-</u>	<u>-</u>	<u>209,441</u>	<u>209,441</u>
EXPENDITURES:				
General government:				
Bond interest payments	-	-	111,995	(111,995)
Bond issuance costs	-	-	266,204	(266,204)
Construction - City Hall	-	-	2,363,378	(2,363,378)
Construction - City Shop Expansion	-	-	94,583	(94,583)
Total	<u>-</u>	<u>-</u>	<u>2,836,160</u>	<u>(2,836,160)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(2,626,719)</u>	<u>(2,626,719)</u>
OTHER FINANCING SOURCES - Bond Proceeds	<u>-</u>	<u>-</u>	<u>9,576,191</u>	<u>9,576,191</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>6,949,472</u>	<u>6,949,472</u>
FUND BALANCE, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,949,472</u>	<u>\$ 6,949,472</u>

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPLEMENTARY INFORMATION

SPECIAL IMPROVEMENT DISTRICT DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE:				
Assessments principal	\$ 55,000	\$ 55,000	\$ 50,196	\$ (4,804)
Assessments interest	-	-	4,077	4,077
Late fees	-	-	-	-
Investment interest	-	-	-	-
Total	55,000	55,000	54,273	(727)
EXPENDITURES:				
General government:				
Operating supplies	-	-	39	(39)
Debt service:				
Debt principal	94,000	94,000	94,000	-
Debt interest and fees	25,500	25,500	24,773	727
Total	119,500	119,500	118,812	688
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(64,500)	(64,500)	(64,539)	(39)
OTHER FINANCING SOURCES - Transfer in	64,500	64,500	64,500	-
NET CHANGE IN FUND BALANCE	-	-	(39)	(39)
FUND BALANCE, BEGINNING OF YEAR	-	13,200	54,303	41,103
FUND BALANCE, END OF YEAR	\$ -	\$ 13,200	\$ 54,264	\$ 41,064

STORM SEWER CONSTRUCTION FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Storm drain impact fees	\$ 358,000	\$ 358,000	\$ 329,770	\$ (28,230)
Interest	-	-	2,505	2,505
Total	<u>358,000</u>	<u>358,000</u>	<u>332,275</u>	<u>(25,725)</u>
EXPENDITURES:				
Professional & Technical	-	-	114,339	(114,339)
Capital outlay	358,000	358,000	260,710	97,290
Total	<u>358,000</u>	<u>358,000</u>	<u>375,049</u>	<u>(17,049)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(42,774)	(42,774)
FUND BALANCE, BEGINNING OF YEAR	-	11,580	11,580	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 11,580</u>	<u>\$ (31,194)</u>	<u>\$ (42,774)</u>

CAPITAL IMPROVEMENTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Franchise tax	\$ 500,000	\$ 500,000	\$ 956,251	\$ 456,251
Cell tower lease	36,000	36,000	34,030	(1,970)
Interest	164,000	164,000	22,367	(141,633)
Bond proceeds	7,060,000	7,060,000	-	(7,060,000)
Miscellaneous	-	-	8,100	8,100
Total	7,760,000	7,760,000	1,020,748	(6,739,252)
EXPENDITURES:				
Capital Equipment purchases	4,200,000	4,200,000	-	4,200,000
Community center construction	-	-	1,732,033	(1,732,033)
City hall construction	5,000,000	5,000,000	-	5,000,000
Sundry project expenditures	-	-	215,886	(215,886)
Total	9,200,000	9,200,000	1,947,919	7,252,081
EXCESS OF REVENUES OVER EXPENDITURE	(1,440,000)	(1,440,000)	(927,171)	512,829
OTHER FINANCING SOURCES - Transfer in	440,000	440,000	-	(440,000)
NET CHANGE IN FUND BALANCE	(1,000,000)	(1,000,000)	(927,171)	72,829
FUND BALANCE, BEGINNING OF YEAR	1,066,599	1,195,350	1,195,350	-
FUND BALANCE, END OF YEAR	\$ 66,599	\$ 195,350	\$ 268,179	\$ 72,829

UTILITY FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUE:				
Water sales	\$ 1,071,586	\$ 1,071,586	\$ 1,195,835	\$ 124,249
Sewer service charges	525,000	525,000	563,199	38,199
Refuse collection charges	1,080,000	1,080,000	1,154,574	74,574
Storm drain user fees	120,000	120,000	139,005	19,005
Connection fees	295,000	295,000	261,581	(33,419)
Other	200	200	812	612
Total	3,091,786	3,091,786	3,315,006	223,220
OPERATING EXPENDITURES:				
Public works:				
Salaries, wages, and benefits	646,925	646,925	679,576	(32,651)
Contractual services	1,525,000	1,670,000	1,629,368	40,632
Operations	1,188,900	1,188,900	314,533	874,367
Depreciation	450,000	450,000	419,993	30,007
Total	3,810,825	3,955,825	3,043,470	912,355
OPERATING INCOME (LOSS)	(719,039)	(864,039)	271,536	1,135,575
NONOPERATING REVENUES (EXPENSES):				
Culinary water impact fees	234,000	234,000	408,214	174,214
Interest revenue	20,539	20,539	195,332	174,793
Total	254,539	254,539	603,546	349,007
INCOME BEFORE CAPITAL CONTRIBUTION	(464,500)	(609,500)	875,082	1,484,582
CAPITAL CONTRIBUTIONS				
Developers infrastructure contributions	-	-	278,036	278,036
NET CHANGE IN ASSETS	(464,500)	(609,500)	1,153,118	1,762,618
NET ASSETS, BEGINNING OF YEAR	14,731,552	15,688,107	15,688,107	-
NET ASSETS, END OF YEAR	\$ 14,267,052	\$ 15,078,607	\$ 16,841,225	\$ 1,762,618

SECONDARY WATER FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUE:				
Water Sales	\$ 948,811	\$ 948,811	\$ 864,871	\$ (83,940)
Connection fees	145,000	145,000	131,800	(13,200)
Other	500	500	178	(322)
Total	<u>1,094,311</u>	<u>1,094,311</u>	<u>996,849</u>	<u>(97,462)</u>
OPERATING EXPENDITURES:				
Public Works:				
Salaries, wages, and benefits	238,811	238,811	196,817	41,994
Water and pumping	195,000	195,000	298,937	(103,937)
Operating expenses	138,500	138,500	20,195	118,305
Depreciation	330,000	330,000	315,272	14,728
Total	<u>902,311</u>	<u>902,311</u>	<u>831,221</u>	<u>71,090</u>
OPERATING INCOME (LOSS)	<u>192,000</u>	<u>192,000</u>	<u>165,628</u>	<u>(168,552)</u>
NONOPERATING REVENUES (EXPENSES):				
Impact fees	497,000	497,000	585,263	88,263
Interest	1,000	1,000	(14,334)	(15,334)
Transfer to other funds	(193,000)	(193,000)	(193,000)	-
Total	<u>305,000</u>	<u>305,000</u>	<u>377,929</u>	<u>72,929</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>497,000</u>	<u>497,000</u>	<u>543,557</u>	<u>(95,623)</u>
CAPITAL CONTRIBUTIONS				
Developers infrastructure contributions	-	-	1,381,738	1,381,738
NET CHANGE IN ASSETS	<u>497,000</u>	<u>497,000</u>	<u>1,925,295</u>	<u>1,428,295</u>
NET ASSETS, BEGINNING OF YEAR	<u>12,967,999</u>	<u>13,092,897</u>	<u>13,092,897</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 13,464,999</u>	<u>\$ 13,589,897</u>	<u>\$ 15,018,192</u>	<u>\$ 1,428,295</u>

MOTOR POOL FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
 IN NET ASSETS - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUE:				
Department charges	\$ 263,100	\$ 263,100	\$ 243,393	\$ (19,707)
State grants and allotments	-	-	20,000	20,000
Total	263,100	263,100	263,393	293
OPERATING EXPENDITURES:				
General government:				
Operations	301,000	301,000	237,592	63,408
Depreciation	104,600	104,600	132,488	(27,888)
Total	405,600	405,600	370,080	35,520
OPERATING INCOME (LOSS)	(142,500)	(142,500)	(106,687)	35,813
NONOPERATING REVENUES (EXPENSES):				
Utility franchise tax	449,500	449,500	-	(449,500)
Proceeds from sale of assets	-	-	-	-
Interest expense	-	-	(32,453)	(32,453)
Total	449,500	449,500	(32,453)	(481,953)
NET CHANGE IN ASSETS	307,000	307,000	(139,140)	517,766
NET ASSETS, BEGINNING OF YEAR	-	306,055	306,055	-
NET ASSETS, END OF YEAR	\$ 307,000	\$ 613,055	\$ 166,915	\$ 517,766

STATE OF UTAH IMPACT FEE REPORTING

JUNE 30, 2007

Impact fees are a funding tool used by local governments to place the cost of specific entity improvements to those that are creating the need for the improvements. Syracuse City has established several impact fees that are charged to either the developer or individual property owner. Impact fee balances as of June 30, 2007 are as follows:

GOVERNMENTAL ACTIVITIES

General Fund:	
Park Purchase	\$ (382,025)
Park Development	(252,973)
Public Safety	433,704
Transportation	<u>2,064,936</u>
Total General Fund	1,863,642
Storm Sewer	<u>121,507</u>
Total Governmental activities	\$ <u>1,985,149</u>

BUSINESS-TYPE ACTIVITIES

Culinary Water	\$ 1,396,243
Secondary Water	<u>(238,275)</u>
Total Business-type activities	\$ <u>1,157,968</u>

The state reporting requirements detailed by individual impact fee follow:

PARK PURCHASE IMPACT FEE

Deficit balance	\$ (382,025)
-----------------	--------------

Park Purchase Impact Fee became a deficit when Syracuse City purchased 60 acres of Jensen family property in 2005. The remaining \$(382,025) shortfall should be made up in the next two years. Land for a regional park in the north part of the City is the next item proposed for this impact fee.

PARK DEVELOPMENT IMPACT FEE

Balance Collected 2006	\$(252,973)
------------------------	-------------

Park Improvement Impact Fee became a deficit this year as the opportunity presented itself to construct the Trailside Park that was not scheduled for construction this year. The current (\$252,973) shortfall should be made up this coming year. Future fees are scheduled to be used for Fremont Park Soccer Complex improvements and then the development of Phases 2-6 of Jensen Park.

PUBLIC SAFETY IMPACT FEE

Collected 2005	\$ 41,175
Collected 2006	255,657
Collected 2007	<u>136,872</u>
Total balance	<u>\$433,704</u>

The Public Safety Impact Fee is accumulated for the purpose of building additional Police and Fire department structures. \$685,832 is appropriated in the coming year for the expansion of the police and fire facilities.

TRANSPORTATION IMPACT FEE

Collected 2005	\$ 265,783
Collected 2006	1,141,689
Collected 2007	<u>657,464</u>
Total balance	<u>\$2,064,936</u>

The Transportation Impact Fee is accumulated to provide additional funding from developers as the City's resource to supplement the State Class "C" road distributions for the improvements to Syracuse City streets as detailed in the master plan. \$825,165 of road projects is budgeted for completion in the coming year.

STORM SEWER IMPACT FEE

Balance collected 2007	\$121,507
------------------------	-----------

The Storm Sewer Impact Fee is accumulated to fund the main lines throughout the City that developers connect to. The current balance and future fees are scheduled to fund projects from the Storm Sewer master plan. \$53,000 is appropriated in the 2008 year to upsize the Doral Drive line.

CULINARY WATER IMPACT FEE

Collected 2003	\$ 168,572
Collected 2004	236,075
Collected 2005	238,070
Collected 2006	287,595
Collected 2007	<u>465,931</u>
Total balance	<u>\$1,396,243</u>

The Culinary Water Impact Fee is accumulated to fund the development of water rights owned by the City. Next year the City has budgeted \$2,061,000 of these funds to re-drill the 500 West well site and replace some existing lines.

SECONDARY WATER IMPACT FEE

Deficit balance	\$(238,275)
-----------------	-------------

The Secondary Water Impact Fee is accumulated to fund the secondary water pump stations and main lines throughout the City. Master plan projects completed this year consumed more monies than were available. The current (\$238,275) shortfall will be made up this coming year. Also this coming year, \$600,000 is appropriated to construct two new lines connecting to Jensen Pond.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
Syracuse City

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Syracuse City as of and for the year ended June 30, 2007, which collectively comprise Syracuse City's basic financial statements and have issued our report thereon dated November 21, 2007. 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.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

Syracuse City's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Syracuse City's response and, accordingly, we express no opinion on it.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the mayor and the city council and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates
Ogden, UT
November 21, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Mayor and City Council
Syracuse City

Compliance

We have audited the compliance of Syracuse City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Syracuse City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Syracuse City's management. Our responsibility is to express an opinion on Syracuse City's compliance based on our audit.

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

In our opinion, Syracuse City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Syracuse City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Syracuse City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

To the Mayor and City Council
November 21, 2007

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Wood Richards & Associates
November 21, 2007

SYRACUSE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Major Program</u>
U.S. Department of Justice:				
COPS Grant	16.710	N/A	\$ 45,000	
Bulletproof Vest Partnership Grant	16.607	N/A	<u>3,843</u>	
Total U.S. Department of Justice			<u>48,843</u>	
U.S. Department of Homeland Security:				
Homeland Security	97.067	N/A	<u>13,000</u>	
Total U.S. Department of Homeland Security			<u>13,000</u>	
U.S. Department of Agriculture:				
Soil and Water Conservation	10.902	68-8D43-6-08	<u>325,000</u>	X
Total U.S. Department of Agriculture			<u>325,000</u>	
U.S. Department of Housing Community and Culture				
Community Development Block Grant	14.228	B-05-DC-49-0001 & B-03-DC-49-0001	<u>150,000</u>	
Total U.S. Department of Housing Community and Culture			<u>150,000</u>	
Total expenditures of federal awards			<u>\$ 536,843</u>	

SYRACUSE CITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1. PURPOSE OF THE SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule of Syracuse City's general purpose financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a select portion of the activities of Syracuse City, it is not intended to and does not present either the financial position, changes in fund balances or the revenues or expenditures of Syracuse City.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation – The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Awards – Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, non-monetary federal awards, including federal surplus property, is included in federal awards and, therefore, is reported on the Schedule. Federal awards do not include direct federal cash assistance to individuals. Solicited contracts between the State and Federal Government for which the Federal Government procures tangible goods or services are not considered to be federal awards.

Type A and Type B Programs – OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal awards programs. Type A program threshold in 2007 was \$300,000.

- B. Reporting Entity – The reporting entity is fully described in the footnotes of the Syracuse City's financial statements. The schedule includes all federal awards programs administered by the Syracuse City for the year ended June 30, 2007.

- C. Basis of Accounting – The expenditures in the Schedule are recognized as incurred based on the modified accrual basis of accounting and the cost accounting principles contained in OMB Circular A-87, *Cost Principles of State and Local Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

SYRACUSE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
 Significant deficiency(ies) disclosed
 not considered to be material weakness(es)? X yes none reported
 Material weakness(es) identified? yes X no

Noncompliance material to financial statements noted? yes X none reported

Federal Awards

Internal Control over major programs
 Significant deficiency(ies) identified
 not considered to be material weakness? yes X none reported
 Material weakness(es) identified? yes X no

Type of auditors' report issued on compliance
 for each major program: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section 510(a)? yes X no

Identification of program tested as major federal program:

<u>CFDA Numbers</u>	<u>Names of Federal Programs</u>
10.902	Soil and Water Conservation

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

SYRACUSE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

See accompanying schedule of findings.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs noted during our audit. Accordingly, no such matters are reported.

**SYRACUSE CITY
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

- Finding:** In 2006 the City did not comply with Davis-Bacon wage requirements on a federally funded construction project. Total questioned costs found in noncompliance were \$24,000.
- Recommendation:** The recommendation was to have the grant manager review the specifications for federal compliance before projects are released for bid.
- Status:** Although the City has not undertaken another project requiring Davis-Bacon wages, the City has established a manner in which all compliance issues and requirements will be communicated before projects are released for bid.

THIS PAGE INTENTIONALLY LEFT BLANK

**INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE**

The Honorable Mayor and City Council
Syracuse City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Syracuse City, Utah, for the year ended June 30, 2007 and have issued our report thereon dated October 20, 2007. As part of our audit, we have audited Syracuse City'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, 2007. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

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

Police Crime Intervention	DUI Over time
Alcohol and Drugs	Youth Alcohol Grant
Ambulance Grant	

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

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation & Property	Uniform Building Code Standards
Tax Limitations	Impact Fees

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

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

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Syracuse City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2007.

Wood Richards & Associates

Ogden, Utah
November 21, 2007

**SYRACUSE CITY
SUMMARY OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2007

State Compliance Findings:

Finding #07-1: State law requires that expenditures not be incurred in excess of the appropriation for any department or fund. We noted during the course of the audit that some departments and funds did not meet this requirement.

Recommendation: We recommend the City maintain expenditures within their appropriations or open and amend the budget to make any necessary changes in order to stay within the appropriations.

Response: The City will be diligent in monitoring budgets throughout the year to ensure that additional funding will be appropriated if necessary rather than just overspending.

Finding # 07-2: Utah Code section 10-5-129 was modified in 2006. This law relates to impact fees. The City is required to detail each capital facilities plan by project. There is also a requirement to project the year that each project will be undertaken and its projected cost. The City is currently not in compliance with these two provisions.

Recommendation: The City should update each capital facilities plan to ensure compliance.

Response: The City has hired engineers to update all the capital facilities plans and is currently in the process of doing so.

Finding #07-3: The City has established purchasing policies and procedures and budgetary controls for its expenditures. We noted that during the year these policies were not always followed with certain capital expenditures.

Recommendation: We recommend the City comply with the established policies and procedures that are in place.

Response: The City agrees with the recommendation and will strive for compliance with these policies and procedures.

**SYRACUSE CITY
SUMMARY OF FINDINGS (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

Finding #07-4: Utah State Code requires all funds to have a positive fund balance and not a deficit. We noted one fund, the Redevelopment Agency Fund, had a fund balance deficit.

Recommendation: We recommend the City make the necessary budgetary adjustments and plans to eliminate the deficit.

Response: The City agrees with the recommendation and plans to eliminate the deficit in the future years through tax increment monies.

Significant Deficiencies in Internal Control Over Financial Reporting:

Finding # 07-5: After a review of the internal controls it came to our attention that journal entries are not being reviewed or approved by anyone other than the person making the general journal entries.

Recommendation: We recommend the City have another individual approve these journal entries with a documented form of approval.

Response: The City agrees with the recommendation and will have someone else review and approve the journal entries.

Finding #07-6: Some lack of separation of duties within the City has created a significant deficiency within the accounts payable and disbursements. One particular individual has access to the check stock, accounting software, and performs the bank reconciliation.

Recommendation: We recommend an individual independent of the payables and disbursements transactions review cancelled checks on the bank statements and document his or her findings and inquiries.

Response: The City agrees with the recommendation and will have someone review the cancelled checks.

**SYRACUSE CITY
SUMMARY OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2006

- Finding #06-1: We noted during the 2006 audit that certain departments had expenditures in excess of their budgeted appropriations.
- Recommendation: We recommended the City maintain expenditures within their appropriations or open and amend the budget to make any necessary changes in order to stay within the appropriations.
- Status: During the 2007 year the City had departments and funds exceed budgeted appropriations.
- Finding #06-2: We noted during the 2006 audit that the unreserved fund balance in the General fund exceeded the limitation set by State Code.
- Recommendation: We recommended the City budget to expend or transfer the excess fund balance in the 2007 year.
- Status: The City budgeted and spent down the fund balance to be within required state limitations.