

**SYRACUSE CITY**  
**State of Utah**

**GENERAL PURPOSE**  
**EXTERNAL FINANCIAL REPORT**

**For the year ended**  
**June 30, 2006**

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



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**SYRACUSE CITY, UTAH**  
**GENERAL-PURPOSE EXTERNAL FINANCIAL REPORT**  
For the Year Ended June 30, 2006

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**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, each major fund, and the aggregate remaining fund information of Syracuse City, Utah, as of and for the year ended June 30, 2006, 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, each major fund, and the aggregate remaining fund information of Syracuse City, as of June 30, 2006, 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 September 1, 2006, 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 35, 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 nonmajor fund budget-to-actual comparisons 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 nonmajor fund 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  
September 1, 2006

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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**SYRACUSE CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2006

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**INTRODUCTION**

The following is a discussion and analysis of Syracuse City's financial performance and activities for the year ended June 30, 2006. 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 continued growth of the City shows a 10% increase in utility connections this year bringing the total connections to 5,586 for the month of June 2006. Bond proceeds from the 2005 revenue bond, impact fees and contributions from developers have funded the vast majority of projects that the city has been involved in this year.

The development of Jensen Nature Park continued this year. The twenty acre Phase 1 of the park master plan will open this Labor Day with the residential fish pond, several picnic areas, a visitor's center, educational nature classes, the water feature, and other amenities.

The Community Center construction became a reality this year. It is nearing completion and is scheduled to open in November. Citizens will enjoy the large modern spaces that will be available to house community and private events.

The newest excitement for the citizens of Syracuse is the ground breaking of the Town Center commercial development on forty acres of agricultural land. Developers have finally culminated years of negotiations with retailers and a "big box" store and more than a dozen other retailers and restaurants will be in business early in 2007. The anticipated sales tax revenue increase is planned to be a very needed balancing revenue to fund the increased service needs of our growing community.

**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, 2006

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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 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, a blended *component unit* 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, 2006

**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 ongoing development of farmland into subdivisions has made the assets of the City increase significantly. The City's total net assets increased \$9.2 million or 16.9% over the prior year. Net assets of governmental activities increased \$5.8 million or 19.8%. Net assets of business-type activities increased \$3.4 million or 13.5%. 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, \$56,047,979 or 87.6%, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all-outstanding debt of \$4,813,149 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 \$3,719,795 or 5.8% 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. These assets are accumulated from the State road taxes and from impact fees placed on new development. 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, 2006 is \$4,209,595 or 6.6% 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, 2006 compared with 2005.

Restricted Net Assets were reduced by \$4.1 million and unrestricted Net Assets increased by \$3.6 million. This is due mainly to defining the \$1.2 million Capital Improvements balance and a \$1.4 million sewer balance as unrestricted rather than the restricted designation they were given in previous years.

**Syracuse City**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 6,233,760	\$ 6,833,539	\$ 3,481,370	\$ 2,796,928	\$ 9,715,130	\$ 9,630,467
Capital Assets	<u>34,583,994</u>	<u>27,200,876</u>	<u>26,277,134</u>	<u>23,582,546</u>	<u>60,861,128</u>	<u>50,783,422</u>
<b>Total Assets</b>	<b>40,817,754</b>	<b>34,034,415</b>	<b>29,758,504</b>	<b>26,379,474</b>	<b>70,576,258</b>	<b>60,413,889</b>
Current and Other Liabilities	2,031,725	1,585,168	299,500	224,650	2,331,225	1,809,818
Long-term Liabilities	<u>3,589,664</u>	<u>3,072,205</u>	<u>678,000</u>	<u>791,000</u>	<u>4,267,664</u>	<u>3,863,205</u>
<b>Total Liabilities</b>	<b>5,621,389</b>	<b>4,657,373</b>	<b>977,500</b>	<b>1,015,650</b>	<b>6,598,889</b>	<b>5,673,023</b>
Net Assets:						
Invested in Capital Assets						
Net of related Debt	30,561,846	23,606,149	25,486,133	22,678,545	56,047,979	46,284,694
Restricted	2,373,779	5,323,478	1,346,016	2,508,097	3,719,795	7,831,575
Unrestricted	<u>2,260,740</u>	<u>447,415</u>	<u>1,948,855</u>	<u>177,182</u>	<u>4,209,595</u>	<u>624,597</u>
<b>Total Net Assets</b>	<b><u>\$ 35,196,365</u></b>	<b><u>\$ 29,377,042</u></b>	<b><u>\$ 28,781,004</u></b>	<b><u>\$ 25,363,824</u></b>	<b><u>\$ 63,977,369</u></b>	<b><u>\$ 54,740,866</u></b>

**SYRACUSE CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2006

**Changes in Net Assets**

The \$9.2 million increase in Net Assets was mainly involving Capital Assets. Developers provided \$3.4 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. The other large item is the City development of Jensen Park and \$2.4 million of project costs on the Community Center. There were significant increases in Sales Tax collections and impact fees increased \$1.5 million as fees were paid for the commercial development.

**Syracuse City**  
**Changes in Net Assets**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Revenues</b>						
General Revenues:						
Taxes	\$ 3,503,383	\$ 2,749,144	\$ -	\$ -	\$ 3,503,383	\$ 2,749,144
Impact fees	3,111,568	1,677,077	999,393	962,108	4,110,961	2,639,185
Other General Revenues	448,802	309,186	-	-	448,802	309,186
Interest Revenue	299,195	116,577	128,253	62,267	427,448	178,844
Program Revenues:						
Charges for Services	1,693,827	1,493,694	3,748,118	3,330,030	5,441,945	4,823,724
Grants	<u>2,137,842</u>	<u>724,859</u>	<u>180,000</u>	<u>-</u>	<u>2,317,842</u>	<u>724,859</u>
<b>Total Revenues</b>	<b><u>11,194,617</u></b>	<b><u>7,070,537</u></b>	<b><u>5,055,764</u></b>	<b><u>4,354,405</u></b>	<b><u>16,250,381</u></b>	<b><u>11,424,942</u></b>
<b>Expenses</b>						
General Government	942,801	951,595	-	-	942,801	951,595
Public Safety	2,738,374	2,277,896	-	-	2,738,374	2,277,896
Public Works	1,511,152	1,325,077	-	-	1,511,152	1,325,077
Parks and Recreation	796,336	559,582	-	-	796,336	559,582
Interest on Long-term Debt	159,645	93,907	-	-	159,645	93,907
Utilities	-	-	2,986,192	2,483,785	2,986,192	2,483,785
Secondary Water	-	-	<u>1,129,502</u>	<u>824,374</u>	<u>1,129,502</u>	<u>824,374</u>
<b>Total Expenses</b>	<b><u>6,148,308</u></b>	<b><u>5,208,057</u></b>	<b><u>4,115,694</u></b>	<b><u>3,308,159</u></b>	<b><u>10,264,002</u></b>	<b><u>8,516,216</u></b>
<b>Changes in Net Assets</b>						
<b>before Contributions</b>	5,046,309	1,862,480	940,070	1,046,246	5,986,379	2,908,726
<b>Infrastructure Contributions</b>						
<b>from Developers</b>	<u>858,159</u>	<u>2,160,401</u>	<u>2,534,706</u>	<u>3,065,632</u>	<u>3,392,865</u>	<u>5,226,033</u>
<b>Change in Net Assets</b>	<b>5,904,468</b>	<b>4,022,881</b>	<b>3,474,776</b>	<b>4,111,878</b>	<b>9,379,244</b>	<b>8,134,759</b>
<b>Net Assets - Beginning</b>						
Prior period adjustments	<u>(85,139)</u>	<u>-</u>	<u>(57,596)</u>	<u>-</u>	<u>(142,735)</u>	<u>-</u>
<b>Net Assets-Beginning Restated</b>	<b><u>29,291,903</u></b>	<b><u>25,354,162</u></b>	<b><u>25,306,228</u></b>	<b><u>21,251,946</u></b>	<b><u>54,598,131</u></b>	<b><u>46,606,108</u></b>
<b>Net Assets - Ending</b>	<b><u>\$ 35,196,371</u></b>	<b><u>\$ 29,377,043</u></b>	<b><u>\$ 28,781,004</u></b>	<b><u>\$ 25,363,824</u></b>	<b><u>\$ 63,977,375</u></b>	<b><u>\$ 54,740,867</u></b>
<b>Percentage Change</b>						
<b>from Previous Year</b>	20.2%	15.9%	13.7%	19.3%	17.2%	17.5%

**SYRACUSE CITY, UTAH**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
Year Ended June 30, 2006

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 2006, these programs generated \$7.8 million or 77% of their total expenses through charges for services, operating and a generous \$1.3 million of program specific capital grants. Taxes, impact fees and other general revenues covered the remaining 23% of expenses.

**Syracuse City**  
**Net Cost of Activities**  
**For the Year Ended June 30, 2006**

	<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>
<b>Governmental Activities:</b>				
General Government	\$ 942,801	\$ 963,414	102%	\$ (20,613)
Public Safety	2,749,374	440,455	16%	2,308,919
Public Works	1,517,152	1,472,749	97%	44,403
Parks and Recreation	796,333	955,051	120%	(158,718)
<b>Business-type Activities:</b>				
Utilities	2,986,192	2,993,324	100%	(7,132)
Secondary Water	1,129,502	934,494	83%	195,008
<b>Totals</b>	<u>\$ 10,121,354</u>	<u>\$ 7,759,487</u>	77%	<u>\$ 2,361,867</u>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Fund balances in the City's governmental activities funds decreased \$1.0 million or 17% from the prior year. The most significant activity follows:

The General Fund unreserved fund balance increased from \$593,672 at the beginning of the year to \$1,323,406 as the year ended. The increase is contributed to increased sales tax and building permit revenues above the amount budgeted.

Government activities impact fee reserves decreased by \$1,366,642 from \$2,770,871 to \$1,404,229. The construction of the 2000 West and 3000 West storm sewer lines and Jensen Park were the major uses of these accumulated funds.

The balance in the Capital Improvements fund was maintained through a \$1,000,000 loan from the Utility Fund. These funds are being used for the construction of the new Syracuse Community Center which will open this fall.

The Enterprise Funds (Utilities and Secondary Water) had another challenging year of growth. Revenues increased 16% over the previous year due to the continued growth in our community. The combined operating loss of \$35,440 was minimal on total revenues of \$3,748,118. 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, 2006

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**CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION**

**Capital Assets**

Syracuse City added \$12.1 million in new capital assets during the year ended June 30, 2006. Of that total \$3.5 million was contributed by developers as part of new roads, utility lines and shares of water stock. \$6.0 million was related to park and secondary water improvements. The Community Center construction added \$2.4 million to construction in process. The remaining \$174,497 consisted of vehicle and equipment purchases.

**Long-term Debt**

Syracuse City issued no new debt this year. The Utility Fund loaned the Capital Improvements Fund \$1,000,000. Debt payments for the year totaled \$685,579. At the end of the current fiscal year the City had \$4,813,148 in various debt commitments that were all secured by specific revenue sources.

<b>Syracuse City</b>		
<b>Long-term Debt</b>		
<b>As of June 30<sup>th</sup></b>		
	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Governmental Activities:</b>		
Excise Tax Road Bonds	\$ 485,000	\$ 635,000
Special Assessment Bonds	409,000	497,000
Park Development Bonds	1,990,000	2,100,000
Jensen Park Property Note	-0-	92,000
Capital Improvements Loan	1,000,000	-0-
<b>Business-type Activities:</b>		
Water Revenue Note 1992A	385,000	440,000
Water Revenue Note 0221	406,000	464,000
Capital Equipment Lease	<u>138,148</u>	<u>270,727</u>
<b>Total Long-term Liabilities</b>	<b>\$ <u>4,813,148</u></b>	<b>\$ <u>4,498,727</u></b>

**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 a proposed 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 – Syracuse City Treasurer  
1787 South 2000 West  
Syracuse, Utah 84075

## **BASIC FINANCIAL STATEMENTS**

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## SYRACUSE CITY

## EXHIBIT A

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,434,375	\$ 1,958,387	\$ 7,392,762
Accounts Receivable	154,743	522,983	677,726
Taxes Receivable	576,610	-	576,610
Other assets	68,032	1,000,000	1,068,032
Capital Assets:	-	-	-
Land and Related Non-depreciable Assets	10,380,926	7,508,111	17,889,037
Depreciable Infrastructure	31,962,281	24,036,098	55,998,379
Buildings, Equipmt., & Other Depreciable Assets	7,293,912	697,505	7,991,417
Less Accumulated Depreciation	<u>(15,053,125)</u>	<u>(5,964,580)</u>	<u>(21,017,705)</u>
Total Capital Assets	<u>34,583,994</u>	<u>26,277,134</u>	<u>60,861,128</u>
<b>TOTAL ASSETS</b>	<u>40,817,754</u>	<u>29,758,504</u>	<u>70,576,258</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	1,429,577	186,500	1,616,077
Long-term Debt			
Due Within One Year	602,148	113,000	715,148
Due in More Than One Year	<u>3,589,664</u>	<u>678,000</u>	<u>4,267,664</u>
<b>TOTAL LIABILITIES</b>	<u>5,621,389</u>	<u>977,500</u>	<u>6,598,889</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	30,561,846	25,486,133	56,047,979
Restricted for:			
"C" Road activities	915,113	-	915,113
Impact fees	1,404,229	1,278,493	2,682,722
Special revenue activities	134	-	134
Debt service	54,303	67,523	121,826
Unrestricted	<u>2,260,740</u>	<u>1,948,855</u>	<u>4,209,595</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 35,196,365</u>	<u>\$ 28,781,004</u>	<u>\$ 63,977,369</u>

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

**SYRACUSE CITY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental:</b>				
General Government	\$ 942,801	\$ 465,714	\$ 650	\$ 497,050
Public Safety	2,749,374	138,824	301,631	-
Public Works	1,517,152	960,552	512,197	-
Parks and Recreation	796,333	128,737	-	826,314
Interest and Other Charges on Long-term Debt	142,648	-	-	-
<b>Total Governmental Activities</b>	<b>6,148,308</b>	<b>1,693,827</b>	<b>814,478</b>	<b>1,323,364</b>
<b>Business-type:</b>				
Utilities	2,986,192	2,993,324	-	-
Secondary Water	1,129,502	754,794	-	180,000
<b>Total Business-type Activities</b>	<b>4,115,694</b>	<b>3,748,118</b>	<b>-</b>	<b>180,000</b>
<b>Total Primary Government</b>	<b>\$ 10,264,002</b>	<b>\$ 5,441,945</b>	<b>\$ 814,478</b>	<b>\$ 1,503,364</b>

**General Revenues:**  
 Property Tax  
 Sales Tax  
 Franchise Tax  
 Total Taxes  
 Impact fees  
 Unrestricted Interest Earned  
**Other General Revenues:**  
 Miscellaneous  
 Developers infrastructure contributions  
 Other General Revenues - Total  
**Total General Revenues**  
**Change in Net Assets**  
 Net Assets-Beginning  
 Prior Period Adjustments  
 Net Assets, Restated  
 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>	
\$ 20,613	\$ -	\$ 20,613
(2,308,919)	-	(2,308,919)
(44,403)	-	(44,403)
158,718	-	158,718
(142,648)	-	(142,648)
<u>(2,316,639)</u>	<u>-</u>	<u>(2,316,639)</u>
-	7,132	7,132
-	(194,708)	(194,708)
-	(187,576)	(187,576)
<u>(2,316,639)</u>	<u>(187,576)</u>	<u>(2,504,215)</u>
757,119	-	757,119
1,805,147	-	1,805,147
941,116	-	941,116
<u>3,503,382</u>	<u>-</u>	<u>3,503,382</u>
3,111,568	999,393	4,110,961
299,194	128,253	427,447
448,798	-	448,798
858,159	2,534,706	3,392,865
<u>1,306,957</u>	<u>2,534,706</u>	<u>8,380,071</u>
8,221,101	3,662,352	11,883,453
5,904,462	3,474,776	9,379,238
29,377,042	25,363,824	54,740,866
(85,139)	(57,596)	(142,735)
<u>29,291,903</u>	<u>25,306,228</u>	<u>54,598,131</u>
<u>\$ 35,196,365</u>	<u>\$ 28,781,004</u>	<u>\$ 63,977,369</u>

**SYRACUSE CITY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General Fund</u>	<u>Redevelopment Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,268,304	\$ 134
Accounts Receivable	-	-
Taxes Receivable	492,894	-
Due from other funds	230,805	-
Other assets	68,032	-
<b>TOTAL ASSETS</b>	<u>5,060,035</u>	<u>134</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	1,428,867	-
Due to other funds	-	-
Deferred income	-	-
<b>TOTAL LIABILITIES</b>	<u>1,428,867</u>	<u>-</u>
<b>FUND BALANCES</b>		
Reserved for "C" Roads	915,113	-
Reserved for impact fees	1,392,649	-
Reserved for Special Revenue Funds	-	134
Reserved for Debt Service Funds	-	-
Unreserved, reported in:		
General Fund	1,323,406	-
Capital Projects Funds	-	-
<b>TOTAL FUND BALANCES</b>	<u>3,631,168</u>	<u>134</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,060,035</u>	<u>\$ 134</u>

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
\$ 54,303	\$ -	\$ 1,111,634	\$ 5,434,375
141,375	13,368	-	154,743
-	-	83,716	576,610
-	-	-	230,805
-	-	-	68,032
<u>195,678</u>	<u>13,368</u>	<u>1,195,350</u>	<u>6,464,565</u>
-	710	-	1,429,577
-	1,078	-	1,078
<u>141,375</u>	-	-	<u>141,375</u>
<u>141,375</u>	<u>1,788</u>	-	<u>1,572,030</u>
-	-	-	915,113
-	11,580	-	1,404,229
-	-	-	134
54,303	-	-	54,303
-	-	-	1,323,406
-	-	1,195,350	1,195,350
<u>54,303</u>	<u>11,580</u>	<u>1,195,350</u>	<u>4,892,535</u>
<u>\$ 195,678</u>	<u>\$ 13,368</u>	<u>\$ 1,195,350</u>	<u>\$ 6,464,565</u>

RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENT FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balance -- governmental funds		\$	4,892,535
 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	10,380,926		
Depreciable Infrastructure	31,962,281		
Buildings, equipment, and other depreciable assets	3,796,875		
Construction in process	2,455,800		
Accumulated Depreciation	<u>(14,685,818)</u>		
Total Capital Assets			33,910,064
 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.			
			141,375
 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.			
			306,055
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Debt	(3,884,000)		
Compensated absences	<u>(169,664)</u>		
Total Long-Term Debt			<u>(4,053,664)</u>
Total net assets --- governmental activities		\$	<u>35,196,365</u>

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

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**SYRACUSE CITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Redevelopment Fund
<b>REVENUES:</b>		
Taxes	\$ 2,562,266	\$ -
Licenses and permits	913,927	-
Impact fees	2,348,471	-
Intergovernmental revenues	1,640,792	1,800
Charges for services	582,145	-
Fines and forfeitures	197,755	-
Interest	222,398	-
Miscellaneous	45,070	-
<b>Total</b>	<b>8,512,824</b>	<b>1,800</b>
<b>EXPENDITURES:</b>		
Current:		
General government	849,138	2,479
Public safety	2,051,473	-
Public works	882,886	-
Parks and Recreation	583,255	-
Capital outlay	3,504,683	-
Debt service:		
Principal retirement	352,000	-
Interest and other	112,571	-
Other interest expense	66,840	-
<b>Total</b>	<b>8,402,846</b>	<b>2,479</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>109,978</b>	<b>(679)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Proceeds from borrowing from Utility Fund	-	-
Transfers in	314,688	-
Transfers out	(205,768)	-
<b>Total</b>	<b>108,920</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>218,898</b>	<b>(679)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>3,412,270</b>	<b>813</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 3,631,168</b>	<b>\$ 134</b>

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

EXHIBIT E

S.I.D. Debt Service Fund	Storm Sewer Construction Fund	Capital Improvements Fund	Total Governmental Funds
\$ -	\$ -	\$ 695,262	\$ 3,257,528
-	-	-	913,927
-	763,097	-	3,111,568
-	-	497,050	2,139,642
-	-	-	582,145
-	-	-	197,755
17,386	16,738	42,672	299,194
56,515	-	44,790	146,375
<u>73,901</u>	<u>779,835</u>	<u>1,279,774</u>	<u>10,648,134</u>
127	-	-	851,744
-	-	-	2,051,473
-	-	-	882,886
-	-	-	583,255
-	1,904,117	2,401,023	7,809,823
88,000	-	-	440,000
30,077	-	-	142,648
-	-	-	66,840
<u>118,204</u>	<u>1,904,117</u>	<u>2,401,023</u>	<u>12,828,669</u>
<u>(44,303)</u>	<u>(1,124,282)</u>	<u>(1,121,249)</u>	<u>(2,180,535)</u>
-	-	1,000,000	1,000,000
47,000	-	-	361,688
-	-	-	(205,768)
<u>47,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,155,920</u>
2,697	(1,124,282)	(121,249)	(1,024,615)
51,606	1,135,862	1,316,599	5,917,150
<u>\$ 54,303</u>	<u>\$ 11,580</u>	<u>\$ 1,195,350</u>	<u>\$ 4,892,535</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Utility Fund	Secondary Water Fund	Total Enterprise Funds	Motor Pool Fund
<b>OPERATING REVENUES:</b>				
Water sales	\$ 1,102,438	\$ 604,299	\$ 1,706,737	\$ -
Sewer service charges	515,985	-	515,985	-
Refuse collection charges	1,041,584	-	1,041,584	-
Storm drain user fee	126,561	-	126,561	-
Connection fees	153,066	149,840	302,906	-
Department charges	-	-	-	156,968
Other	53,690	655	54,345	3,456
<b>Total</b>	<b>2,993,324</b>	<b>754,794</b>	<b>3,748,118</b>	<b>160,424</b>
<b>EXPENSES:</b>				
Salaries, wages, and benefits	742,080	338,633	1,080,713	-
Contractual services	1,305,393	-	1,305,393	-
Operations	409,334	275,830	685,164	166,959
Depreciation	403,717	308,571	712,288	100,842
<b>Total</b>	<b>2,860,524</b>	<b>923,034</b>	<b>3,783,558</b>	<b>267,801</b>
<b>OPERATING INCOME (LOSS)</b>	<b>132,800</b>	<b>(168,240)</b>	<b>(35,440)</b>	<b>(107,377)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Utility franchise tax	-	-	-	245,854
Impact fees	390,159	609,234	999,393	-
Proceeds from sale of assets	-	-	-	57,000
Interest revenue	128,253	-	128,253	-
Interest expense	-	(17,448)	(17,448)	(19,997)
Transfer to other funds	(125,668)	(189,020)	(314,688)	-
<b>Total</b>	<b>392,744</b>	<b>402,766</b>	<b>795,510</b>	<b>282,857</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>525,544</b>	<b>234,526</b>	<b>760,070</b>	<b>175,480</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Federal grants	-	180,000	180,000	-
Developers infrastructure contributions	430,752	2,103,954	2,534,706	-
<b>NET CHANGE IN ASSETS</b>	<b>956,296</b>	<b>2,518,480</b>	<b>3,474,776</b>	<b>175,480</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>14,789,407</b>	<b>10,574,417</b>	<b>25,363,824</b>	<b>215,714</b>
Prior period adjustment	(57,596)	-	(57,596)	(85,139)
<b>NET ASSETS, RESTATED</b>	<b>14,731,811</b>	<b>10,574,417</b>	<b>25,306,228</b>	<b>130,575</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 15,688,107</b>	<b>\$ 13,092,897</b>	<b>\$ 28,781,004</b>	<b>\$ 306,055</b>

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, 2006

	Utility Fund	Secondary Water Fund	Proprietary Funds Total	Motor Pool Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 2,927,029	\$ 748,520	\$ 3,675,549	\$ 156,968
Cash received from other activities	53,690	655	54,345	3,456
Cash payments for payroll and benefits	(742,080)	(338,633)	(1,080,713)	-
Cash payments for goods and services	(1,713,320)	(202,377)	(1,915,697)	(166,959)
Net cash provided by operating activities	525,319	208,165	733,484	(6,535)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned (charged) on cash deposits	128,253	(17,448)	110,805	(8,630)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Utility franchise tax	-	-	-	245,854
Loan to Capital Projects Fund	(1,000,000)	-	(1,000,000)	-
Transfers to other funds	(125,668)	(189,020)	(314,688)	-
Cash lent from (borrowed to) other funds as pooled cash	(386,213)	386,213	-	-
Federal development appropriation	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(1,511,881)	197,193	(1,314,688)	245,854
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>				
Impact fees	390,159	609,234	999,393	-
Cash payments for property and equipment purchases	(404,417)	(525,359)	(929,776)	(103,181)
Cash received from the sale of assets	-	-	-	57,000
Principal payments on debt	(113,000)	-	(113,000)	(132,579)
Interest expense on capital lease	-	-	-	(31,364)
Net cash provided by (used in) noncapital financing activities	(127,258)	83,875	(43,383)	(210,124)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(985,567)</b>	<b>471,785</b>	<b>(470,399)</b>	<b>20,565</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>2,943,954</b>	<b>(471,785)</b>	<b>2,472,169</b>	<b>(250,292)</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,958,387</b>	<b>\$ -</b>	<b>\$ 1,958,387</b>	<b>\$ (229,727)</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 132,800	\$ (168,240)	\$ (35,440)	\$ (107,377)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	403,717	308,571	712,288	100,842
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(12,605)	(5,619)	(18,224)	-
Increase (decrease) in accounts payable and accrued liabilities	1,407	73,453	74,860	-
Total adjustments	392,519	376,405	768,924	100,842
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 525,319</b>	<b>\$ 208,165</b>	<b>\$ 733,484</b>	<b>\$ (6,535)</b>
<b>NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Receivable on grant for system development	\$ -	\$ 180,000	\$ 360,000	\$ -
Developers infrastructure contributions	\$ 430,752	\$ 2,103,954	\$ 2,534,706	\$ -

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

## 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 legally separate entity meets the criteria of a component unit if the City's governing body appoints a voting majority of the organization's governing body and either has the ability to impose the City's will on that organization or that organization may provide specific financial benefits or burdens to the City. An organization may also be considered a component unit of the City if the organization is fiscally dependent upon the county or if its relationship is of a nature that it would be misleading to exclude it. The basic criterion to include Syracuse Redevelopment as a *component unit* in this report is that the City's governing body is also the Redevelopment Agency governing body and the agency exists exclusively to accomplish specific purposes of the City Council.

### 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.

**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.

**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 and Capital Projects 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.
- **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 1<sup>st</sup> - Dec 31<sup>st</sup> of each year. Taxes are payable by November 30<sup>th</sup>. 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 31<sup>st</sup> 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 of 240 hours that can be accrued.

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 an 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 2006, the City modified various budgets using the above procedure.

**Current Year Excess of Expenditures Over Appropriations** - For the year ended June 30, 2006 the following departments had expenditures that exceeded appropriations: City Council, Non-departmental, Police, Fire, Parks, Recreation, and Park Development Impact Fee (Capital outlay).

## **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, 2006 was \$200. The carrying amount of deposits was \$100,031 and the bank balance was \$320,424. Of the bank balance, \$100,000 was covered by federal depository insurance and \$220,424 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, 2006, all of the \$7,292,531 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, 2006, are as follows:

Cash on hand and on deposit:	
Cash on hand	\$ 200
Cash on deposit	100,031
PTIF investment	<u>7,292,531</u>
Total cash and investments	<u>\$7,392,762</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:			
Intergovernmental	\$ -	\$ 180,000	\$ 180,000
Special Assessments	<u>141,375</u>	<u>-</u>	<u>141,375</u>
Utility and Service charges	<u>13,368</u>	<u>348,410</u>	<u>361,778</u>
Gross receivables	154,743	528,410	683,153
Less: Allowance for uncollectibles	<u>-</u>	<u>(5,427)</u>	<u>(5,427)</u>
Net total receivables	<u>\$ 154,743</u>	<u>\$522,983</u>	<u>\$677,726</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, 2006 consisted of the following amounts:

## Governmental Activities:

General Fund (due from other funds)	\$ 230,805
Storm Sewer Construction fund (due to other funds)	\$ (1,078)
Motor Pool Fund (due to other funds)	\$ (229,727)

## Business-type activities:

Utility Fund (due from other funds)	\$ 386,213
Secondary Water Fund (due to other funds)	\$ (386,213)

**NOTE 5. CAPITAL ASSETS**

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

	<b>Capital Assets</b>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 7,198,138	\$ 3,182,788	\$ -	\$ 10,380,926
Construction in process	54,777	2,401,023	-	2,455,800
Total	<u>7,252,915</u>	<u>5,583,811</u>	<u>-</u>	<u>12,836,726</u>
Capital assets being depreciated:				
Buildings and Improvements	1,677,835	-	-	1,677,835
Equipment	2,059,089	59,951	-	2,119,040
Infrastructure	28,938,061	3,024,220	-	31,962,281
Total	<u>32,674,985</u>	<u>3,084,171</u>	<u>-</u>	<u>35,759,156</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	671,134	55,928	-	727,062
Equipment	1,290,976	100,720	-	1,391,696
Infrastructure	11,501,651	1,065,409	-	12,567,060
Total	<u>13,463,761</u>	<u>1,222,057</u>	<u>-</u>	<u>14,685,818</u>
Capital assets being depreciated, net	<u>19,211,224</u>	<u>1,862,114</u>	<u>-</u>	<u>21,073,338</u>
Governmental Activity Capital Assets, Net	<u>\$ 26,464,139</u>	<u>\$ 7,445,925</u>	<u>\$ -</u>	<u>\$ 33,910,064 (a)</u>
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Water Stock	\$ 4,386,520	\$ 2,070,500	\$ -	\$ 6,457,020 (b)
Land and land improvements	1,051,091	-	-	1,051,091
Total	<u>5,437,611</u>	<u>2,070,500</u>	<u>-</u>	<u>7,508,111</u>
Capital assets being depreciated:				
Buildings	56,700	-	-	56,700
Equipment	687,027	114,546	160,768	640,805
Infrastructure	22,756,671	1,279,427	-	24,036,098
Total	<u>23,500,398</u>	<u>1,393,973</u>	<u>160,768</u>	<u>24,733,603</u>
Less Accumulated Depreciation for:				
Buildings	661	1,134	-	1,795
Equipment	440,483	52,852	103,173	390,162
Infrastructure	4,914,319	658,303	-	5,572,622
Total	<u>5,355,463</u>	<u>712,289</u>	<u>103,173</u>	<u>5,964,579</u>
Capital assets being depreciated, net	<u>18,144,935</u>	<u>681,684</u>	<u>57,595</u>	<u>18,769,024</u>
Business-type Activities Capital Assets, Net	<u>\$ 23,582,546</u>	<u>\$ 2,752,184</u>	<u>\$ 57,595</u>	<u>\$ 26,277,135</u>

(a) Capital Assets in the Statement of Net Assets also includes the Buildings, Equipment, and other Depreciable Assets, net of accumulated depreciation, for the Internal Service Funds of \$673,930.

(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	\$ 77,057
Public Safety	525,000
Public Works	525,000
Parks and Recreation	<u>95,000</u>
Total Governmental Activities Depreciation Expense	\$ <u>1,222,057</u>

Business-type Activities:

Utility	\$ 403,717
Secondary Water	<u>308,571</u>
Total Business-type Activities Depreciation Expense	\$ <u>712,288</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, 2006 the customer deposits balance held by the City was \$107,710.

**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:

	<u>Long-term Liabilities</u>				<b>Due Within One Year</b>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	
<b>Governmental Activities:</b>					
Excise Tax Road Bonds	\$ 635,000	\$ —	\$ 150,000	\$ 485,000	\$ 155,000
Special Assessment Bonds	497,000	—	88,000	409,000	94,000
Park Development Bonds	2,100,000	—	110,000	1,990,000	115,000
Jensen Park Property Note	92,000	—	92,000	—	—
Capital Equipment Lease	270,727	—	132,579	138,148	138,148
Capital Improvement Loan	—	1,000,000	—	1,000,000	—
Compensated Absences	110,057	155,717	96,110	169,664	100,000
<b>Business-type Activities:</b>					
Water Revenue Note 1992A	440,000	—	55,000	385,000	55,000
Water Revenue Note 1992B	464,000	—	58,000	406,000	58,000
<b>Total Long-term Liabilities</b>	<u>\$ 4,608,784</u>	<u>\$ 1,155,717</u>	<u>\$ 781,689</u>	<u>\$ 4,982,812</u>	<u>\$ 715,148</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, 2006 consists of the following:

<b>1999 Excise Tax Road Refunding Bonds Payable</b>				
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
01/12/1999	01/15/2009	4.35%	\$ 1,410,000	\$ 485,000
Total Excise Tax Road Bonds Payable .....				<u>\$ 485,000</u>

**Debt Service Requirement to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 155,000	\$ 19,466
2008	160,000	12,615
2009	170,000	5,546
Total	<u>\$ 485,000</u>	<u>\$ 37,627</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, 2006 consists of the following:

<b>1999 Special Assessment Bonds Payable</b>				
<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
03/22/2001	03/15/2010	4.90% -6.20%	\$865,958	\$ 409,000
Total Special Assessment Bonds Payable .....				<u>\$ 409,000</u>

**Debt Service Requirement to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 94,000	\$ 24,773
2008	99,000	19,227
2009	105,000	13,287
2010	111,000	6,882
Total	<u>\$ 409,000</u>	<u>\$ 64,169</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, 2006 consists of the following:

<b>2005 Park Development Sales Tax Revenue Bonds Payable</b>					
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
2005	04/28/2005	01/01/2020	0.0%	\$ 2,100,000	\$ 1,990,000
Total Water Revenue Bonds Payable.....					<u>\$ 1,990,000</u>

**Debt Service Requirement to Maturity**

	<u>Principal</u>	<u>Interest</u>
2007	\$ 115,000	\$ 76,103
2008	115,000	72,653
2009	120,000	69,260
2010	125,000	65,480
2011	125,000	61,230
2012 – 2016	710,000	231,985
2017 – 2020	680,000	73,774
Total	<u>\$ 1,990,000</u>	<u>\$ 650,485</u>

**E. Jensen Park Property Note**

On February 24, 2003 the City purchased twenty acres of park property using some cash and also a note to the Jensen family. The final payment on the note was paid in February 2006.

**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 equipment lease purchase balance at June 30, 2006 consists of the following:

<b><u>2002 Equipment Lease Purchase Revenue Bonds Payable</u></b>					
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
	01/15/2002	01/15/2007	4.2%	637,256	\$ 138,148
Total Equipment Lease Purchase Payable.....					<u>\$ 138,148</u>

**Debt Service Requirement to Maturity**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 138,148	\$ 5,803
Total	<u>\$ 138,148</u>	<u>\$ 5,803</u>

**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, 2006 is as follows:

<b>2006 Capital Improvements Loan</b>					
	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>
2006	06/30/2006	06/30/2011	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>
2007	\$ ---	\$ 50,000
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, 2006 consists of the following:

<b>1992 Water Revenue Notes Payable</b>					
	<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	\$ 385,000
1992B	04/28/1992	01/01/2013	0.0%	1,100,000	406,000
Total Water Revenue Bonds Payable.....					<u>\$ 791,000</u>

**Debt Service Requirement to Maturity**

	<u>Series 1992A</u>		<u>Series 1992B</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 55,000	\$ 0	\$ 58,000	\$ 0	\$ 113,000	\$ 0
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 - 2013	110,000	0	116,000	0	226,000	0
Total.....	<u>\$ 385,000</u>	<u>\$ 0</u>	<u>\$ 406,000</u>	<u>\$ 0</u>	<u>\$ 791,000</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 \$156,958 to the Motor Pool Fund, \$1,800 to the Redevelopment Agency and \$47,000 to the Special Improvement District Fund.

The Storm Sewer Fund transferred \$189,020 to the General Fund payments on the Park Development Sales Tax Bond.

The Utility Fund transferred \$125,668 to the General Fund to offset administrative costs paid for in the General Fund.

**NOTE 10. PRIOR PERIOD ADJUSTMENTS**

The Motor Pool Fund capitalized a rented backhoe during the previous year. The capitalized value and depreciation were both removed from this year's beginning balance, reducing it by \$85,139.

The purchase of garbage cans was capitalized for the past few years. The capitalized value of \$160,768 and the associated accumulated depreciation of \$103,173 were both removed from this year's beginning balance, reducing it by \$57,595.

**NOTE 11. 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](http://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%
2006 Rates as Percent of Covered Payroll:			
Employer	11.090%	8.610%	19.340%
Member	0.000%	0.000%	0.000%
Actual City Contributions Made, by year:			
2006	\$ 153,066	\$ 10,262	\$ 92,857
2005	\$ 135,341	\$ -0-	\$ 81,991
2004	\$ 105,461	\$ -0-	\$ 52,047

#### **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, 2006, Syracuse City contributed \$115,471 to employees' 401(k) Plans.

#### **NOTE 12. 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 13. 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 14. SYRACUSE CITY REDEVELOPMENT AGENCY**

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. To date, no tax increment has been requested or received on either project area. Infrastructure improvements are currently being made to the 1700 South project and road improvements will be put in place this fall for the 750 West project. It is anticipated that tax increment will be requested for the first time for the 2007 tax year on each of these project areas.

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## **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, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Current property taxes	\$ 561,073	\$ 561,073	\$ 615,321	\$ 54,248
Fee-in-lieu	98,500	98,500	122,262	23,762
Delinquent prior years' taxes	20,000	20,000	19,536	(464)
Sales tax	1,303,857	1,421,657	1,805,147	383,490
<b>Total</b>	<b>1,983,430</b>	<b>2,101,230</b>	<b>2,562,266</b>	<b>461,036</b>
<b>Licenses and permits:</b>				
Business licenses	26,000	26,000	36,480	10,480
Building permits	645,000	645,000	877,447	232,447
<b>Total</b>	<b>671,000</b>	<b>671,000</b>	<b>913,927</b>	<b>242,927</b>
<b>Impact fees:</b>				
Park development	500,000	500,000	404,403	(95,597)
Park purchase	250,000	250,000	595,957	345,957
Public safety	110,000	110,000	249,581	139,581
Transportation	410,000	410,000	1,098,530	688,530
<b>Total</b>	<b>1,270,000</b>	<b>1,270,000</b>	<b>2,348,471</b>	<b>1,078,471</b>
<b>Intergovernmental revenues:</b>				
Class "C" road fund allotment	455,000	455,000	512,197	57,197
Liquor fund allotments	10,000	10,000	8,501	(1,499)
Federal appropriations	240,000	340,000	212,294	(127,706)
State grants and reimbursements	320,000	320,000	861,354	541,354
Local governments service agreements	39,000	39,000	46,446	7,446
<b>Total</b>	<b>1,064,000</b>	<b>1,164,000</b>	<b>1,640,792</b>	<b>476,792</b>
<b>Charges for services:</b>				
Development reviews and inspections	169,500	169,500	229,954	60,454
Recreation fees	80,000	80,000	98,649	18,649
Ambulance revenue	125,000	125,000	138,824	13,824
Sale of maps and publications	900	900	1,525	625
Sale of cemetery lots	12,000	12,000	23,308	11,308
Burial fees	8,000	8,000	6,780	(1,220)
Road cut fees	15,000	15,000	5,605	(9,395)
Street light installations	-	-	77,500	77,500
<b>Total</b>	<b>410,400</b>	<b>410,400</b>	<b>582,145</b>	<b>171,745</b>
<b>Fines and forfeitures</b>	<b>165,510</b>	<b>165,510</b>	<b>197,755</b>	<b>32,245</b>
<b>Interest</b>	<b>71,000</b>	<b>71,000</b>	<b>222,398</b>	<b>151,398</b>
<b>Miscellaneous:</b>				
Sale of materials and supplies	1,000	1,000	9,077	8,077
Building rentals	5,000	5,000	5,662	662
Park reservations	800	800	1,240	440
Sundry	18,000	18,000	29,091	11,091
<b>Total</b>	<b>24,800</b>	<b>24,800</b>	<b>45,070</b>	<b>20,270</b>
<b>TOTAL REVENUES</b>	<b>\$ 5,660,140</b>	<b>\$ 5,877,940</b>	<b>\$ 8,512,824</b>	<b>\$ 2,634,884</b>

SCHEDULE 1

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
<b>EXPENDITURES:</b>				
<b>General government:</b>				
City council	\$ 206,928	\$ 206,928	\$ 205,606	\$ 1,322
City court	161,583	161,583	142,040	19,543
Finance	102,743	102,743	94,152	8,591
Planning and zoning	183,234	183,234	174,111	9,123
Nondepartmental	123,200	123,200	158,748	(35,548)
Buildings and grounds	74,625	74,625	74,481	144
<b>Total</b>	<b>852,313</b>	<b>852,313</b>	<b>849,138</b>	<b>3,175</b>
<b>Public safety:</b>				
Police department	1,219,019	1,219,019	1,249,517	(30,498)
Fire department	649,112	779,112	801,956	(22,844)
<b>Total</b>	<b>1,868,131</b>	<b>1,998,131</b>	<b>2,051,473</b>	<b>(53,342)</b>
<b>Public works:</b>				
Building inspector	256,532	256,532	232,341	24,191
Class "C" roads	645,000	658,000	650,545	7,455
<b>Total</b>	<b>901,532</b>	<b>914,532</b>	<b>882,886</b>	<b>31,646</b>
<b>Parks and recreation:</b>				
Parks	125,729	151,729	259,246	(107,517)
Recreation	217,551	217,551	278,886	(61,335)
Cemetery	44,424	44,424	28,295	16,129
Museum	18,160	18,160	16,828	1,332
<b>Total</b>	<b>405,864</b>	<b>431,864</b>	<b>583,255</b>	<b>(151,391)</b>
Capital outlay	2,477,017	2,799,017	3,504,683	(705,666)
<b>TOTAL EXPENDITURES</b>	<b>6,504,857</b>	<b>6,995,857</b>	<b>7,871,435</b>	<b>(875,578)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	<b>(844,717)</b>	<b>(1,117,917)</b>	<b>641,389</b>	<b>(896,110)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
<b>Debt Service:</b>				
Debt Principal	(352,000)	(352,000)	(352,000)	-
Debt interest and fees	(110,580)	(110,580)	(112,571)	(1,991)
Other interest expense	-	-	(66,840)	(66,840)
Transfers in	314,688	314,688	314,688	-
Transfers out	(156,968)	(158,768)	(205,768)	(47,000)
<b>Total</b>	<b>(304,860)</b>	<b>(306,660)</b>	<b>(422,491)</b>	<b>(115,831)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,149,577)</b>	<b>(1,424,577)</b>	<b>218,898</b>	<b>(1,011,941)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>3,200,000</b>	<b>3,412,270</b>	<b>3,412,270</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,050,423</b>	<b>\$ 1,987,693</b>	<b>\$ 3,631,168</b>	<b>\$ (1,011,941)</b>

REDEVELOPMENT AGENCY  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUE:</b>				
Contributions from Syracuse City	\$ 1,000	\$ 2,800	\$ 1,800	\$ (1,000)
<b>EXPENDITURES:</b>				
General government:				
Professional services	1,000	2,800	2,479	321
Total	<u>1,000</u>	<u>2,800</u>	<u>2,479</u>	<u>321</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	(679)	(679)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>200</u>	<u>200</u>	<u>813</u>	<u>613</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 134</u>	<u>\$ 613</u>

## **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, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUE:</b>				
Assessments principal	\$ 104,700	\$ 104,700	\$ 56,515	\$ (48,185)
Assessments interest	-	-	15,381	15,381
Late fees	500	500	360	(140)
Investment interest	-	-	1,645	1,645
<b>Total</b>	<b>105,200</b>	<b>105,200</b>	<b>73,901</b>	<b>(31,299)</b>
<b>EXPENDITURES:</b>				
General government:				
Operating supplies	-	-	127	(127)
Debt service:				
Debt principal	88,000	88,000	88,000	-
Debt interest and fees	30,400	30,400	30,077	323
<b>Total</b>	<b>118,400</b>	<b>118,400</b>	<b>118,204</b>	<b>196</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(13,200)</b>	<b>(13,200)</b>	<b>(44,303)</b>	<b>(31,103)</b>
<b>OTHER FINANCING SOURCES - Transfer in</b>	<b>-</b>	<b>-</b>	<b>47,000</b>	<b>(47,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(13,200)</b>	<b>(13,200)</b>	<b>2,697</b>	<b>15,897</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>13,200</b>	<b>13,200</b>	<b>51,606</b>	<b>38,406</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,303</b>	<b>\$ 54,303</b>

**STORM SEWER CONSTRUCTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Storm drain impact fees	\$ 275,000	\$ 1,000,000	\$ 763,097	\$ (236,903)
Interest	5,000	5,000	16,738	11,738
Total	280,000	1,005,000	779,835	(225,165)
<b>EXPENDITURES:</b>				
Capital outlay	416,500	2,120,000	1,904,117	215,883
Total	416,500	2,120,000	1,904,117	215,883
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(136,500)	(1,115,000)	(1,124,282)	(9,282)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	500,000	1,135,862	1,135,862	-
<b>FUND BALANCE, END OF YEAR</b>	\$ 363,500	\$ 20,862	\$ 11,580	\$ (9,282)

## CAPITAL IMPROVEMENTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Franchise tax	\$ 340,700	\$ 340,700	\$ 695,262	\$ 354,562
Cell tower lease	30,000	30,000	34,870	4,870
Federal appropriation	500,000	500,000	497,050	(2,950)
Interest	15,000	15,000	42,672	27,672
Loan from utility fund	1,000,000	1,000,000	1,000,000	-
Bond proceeds	4,500,000	4,500,000	-	(4,500,000)
Miscellaneous	-	-	9,920	9,920
<b>Total</b>	<b>6,385,700</b>	<b>6,385,700</b>	<b>2,279,774</b>	<b>(4,105,926)</b>
<b>EXPENDITURES:</b>				
Community center construction	3,300,000	3,300,000	2,364,273	935,727
City hall construction	4,085,700	4,085,700	36,750	4,048,950
<b>Total</b>	<b>7,385,700</b>	<b>7,385,700</b>	<b>2,401,023</b>	<b>4,984,677</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(121,249)</b>	<b>878,751</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,316,599</b>	<b>316,599</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,195,350</b>	<b>\$ 1,195,350</b>

UTILITY FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUE:</b>				
Water sales	\$ 973,724	\$ 973,724	\$ 1,102,438	\$ 128,714
Sewer service charges	460,500	460,500	515,985	55,485
Refuse collection charges	990,290	990,290	1,041,584	51,294
Storm drain user fees	110,000	110,000	126,561	16,561
Connection fees	145,000	145,000	153,066	8,066
Other	3,000	3,000	53,690	50,690
Total	<u>2,682,514</u>	<u>2,682,514</u>	<u>2,993,324</u>	<u>310,810</u>
<b>OPERATING EXPENDITURES:</b>				
Public works:				
Salaries, wages, and benefits	850,939	850,939	742,080	108,859
Contractual services	1,430,646	1,430,646	1,305,393	125,253
Operations	280,468	280,468	409,334	(128,866)
Depreciation	395,000	395,000	403,717	(8,717)
Total	<u>2,957,053</u>	<u>2,957,053</u>	<u>2,860,524</u>	<u>96,529</u>
OPERATING INCOME (LOSS)	<u>(274,539)</u>	<u>(274,539)</u>	<u>132,800</u>	<u>407,339</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Culinary water impact fees	165,000	165,000	241,659	76,659
Sewer impact fees	125,000	125,000	148,500	23,500
Interest revenue	42,000	42,000	128,253	86,253
Transfer to other funds	(126,668)	(126,668)	(125,668)	1,000
Total	<u>205,332</u>	<u>205,332</u>	<u>392,744</u>	<u>187,412</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>(69,207)</u>	<u>(69,207)</u>	<u>525,544</u>	<u>594,751</u>
<b>CAPITAL CONTRIBUTIONS</b>				
Developers infrastructure contributions	<u>421,407</u>	<u>421,407</u>	<u>430,752</u>	<u>9,345</u>
NET CHANGE IN ASSETS	<u>352,200</u>	<u>352,200</u>	<u>956,296</u>	<u>604,096</u>
NET ASSETS, BEGINNING OF YEAR	<u>14,500,000</u>	<u>14,500,000</u>	<u>14,789,407</u>	<u>289,407</u>
Prior period adjustment	-	-	(57,596)	(57,596)
NET ASSETS, RESTATED	<u>14,500,000</u>	<u>14,500,000</u>	<u>14,731,811</u>	<u>231,811</u>
NET ASSETS, END OF YEAR	<u>\$ 14,852,200</u>	<u>\$ 14,852,200</u>	<u>\$ 15,688,107</u>	<u>\$ 835,907</u>

**SECONDARY WATER FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUE:</b>				
Water Sales	\$ 517,699	\$ 592,699	\$ 604,299	\$ 11,600
Connection fees	170,000	170,000	149,840	(20,160)
Other	-	-	655	655
<b>Total</b>	<b>687,699</b>	<b>762,699</b>	<b>754,794</b>	<b>(7,905)</b>
<b>OPERATING EXPENDITURES:</b>				
<b>Public Works:</b>				
Salaries, wages, and benefits	272,380	347,380	338,633	8,747
Water and pumping	180,131	180,131	190,493	(10,362)
Operating expenses	79,000	79,000	85,337	(6,337)
Depreciation	285,000	285,000	308,571	(23,571)
<b>Total</b>	<b>816,511</b>	<b>891,511</b>	<b>923,034</b>	<b>(31,523)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(128,812)</b>	<b>(128,812)</b>	<b>(168,240)</b>	<b>23,618</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Impact fees	450,000	450,000	609,234	159,234
Interest	13,000	13,000	(17,448)	(30,448)
Transfer to other funds	(189,020)	(189,020)	(189,020)	-
<b>Total</b>	<b>273,980</b>	<b>273,980</b>	<b>402,766</b>	<b>128,786</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>145,168</b>	<b>145,168</b>	<b>234,526</b>	<b>152,404</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Federal Grant	-	-	180,000	180,000
Developers infrastructure contributions	285,000	285,000	2,103,954	1,818,954
<b>NET CHANGE IN ASSETS</b>	<b>430,168</b>	<b>430,168</b>	<b>2,518,480</b>	<b>2,088,312</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>10,000,000</b>	<b>10,574,417</b>	<b>10,574,417</b>	<b>-</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 10,430,168</b>	<b>\$ 11,004,585</b>	<b>\$ 13,092,897</b>	<b>\$ 2,088,312</b>

**MOTOR POOL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUE:</b>				
Department charges	\$ 156,968	\$ 156,968	\$ 156,968	\$ -
Other	20,000	20,000	3,456	(16,544)
Total	<u>176,968</u>	<u>176,968</u>	<u>160,424</u>	<u>(16,544)</u>
<b>OPERATING EXPENDITURES:</b>				
General government:				
Operations	253,800	253,800	166,959	86,841
Depreciation	105,500	105,500	100,842	4,658
Total	<u>359,300</u>	<u>359,300</u>	<u>267,801</u>	<u>91,499</u>
<b>OPERATING INCOME (LOSS)</b>	(182,332)	(182,332)	(107,377)	74,955
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Utility franchise tax	202,332	202,332	245,854	43,522
Proceeds from sale of assets	-	-	57,000	57,000
Interest expense	(20,000)	(20,000)	(19,997)	3
Total	<u>182,332</u>	<u>182,332</u>	<u>282,857</u>	<u>100,525</u>
<b>NET CHANGE IN ASSETS</b>	-	-	175,480	(25,570)
<b>NET ASSETS, BEGINNING OF YEAR</b>	100,000	100,000	215,714	115,714
Prior period adjustment	-	-	(85,139)	(85,139)
<b>NET ASSETS, RESTATED</b>	100,000	100,000	130,575	30,575
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 306,055</u>	<u>\$ 5,005</u>

STATE OF UTAH IMPACT FEE REPORTING

JUNE 30, 2006

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, 2006 are as follows:

**GOVERNMENTAL ACTIVITIES**

General Fund:	
Park Purchase	\$ (850,213)
Park Development	293,075
Public Safety	296,832
Transportation	<u>1,652,956</u>
Total General Fund	1,392,650
Storm Sewer	159,108
Total Governmental activities	\$ <u>1,551,758</u>

**BUSINESS-TYPE ACTIVITIES**

Culinary Water	\$ 1,207,472
Secondary Water	<u>(115,822)</u>
Total Business-type activities	\$ <u>1,091,650</u>

The state reporting requirements detailed by individual impact fee follow:

**PARK PURCHASE IMPACT FEE**

Deficit balance	\$ (850,213)
-----------------	--------------

Park Purchase Impact fee became a deficit when Syracuse City purchased 60 acres of Jensen family property in 2005. The remaining \$(850,213) shortfall should be made up in the next two years.

**PARK IMPROVEMENT IMPACT FEE**

Balance Collected 2006	\$293,075
------------------------	-----------

The Park Improvement Impact Fee is accumulated to fund the improvements planned for individual sites owned by the City. The current balance and future fees are scheduled to be used next to finish Phase 1 of the Jensen Park complex and then Freemont Park Soccer Complex and then the development of Phases 2-6 of Jensen Park.

**PUBLIC SAFETY IMPACT FEE**

Collected 2005	\$ 41,175
Collected 2006	<u>255,657</u>
Total balance	<u>\$296,832</u>

The Public Safety Impact Fee is accumulated for the purpose of building additional Police and Fire department structures. \$440,000 is appropriated in the coming year for the expansion of the police and fire facilities.

**TRANSPORTATION IMPACT FEE**

Collected 2005	\$ 511,267
Collected 2006	<u>1,141,689</u>
Total balance	<u>\$1,652,956</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. Road projects are currently under review to reprioritize the urgency of scheduling projects. In the coming year, bond payments of \$240,500 are the only items appropriated from these fees.

**STORM SEWER IMPACT FEE**

Balance collected 2006	\$159,108
------------------------	-----------

The Storm Sewer Impact Fee is accumulated to fund the main lines through out the City that developers connect to. The current balance and future fees are scheduled to fund projects from the Storm Sewer master plan. \$358,000 has been appropriated in the 2007 year for the high school outfall line construction.

**CULINARY WATER IMPACT FEE**

Collected 2002	\$ 162,657
Collected 2003	283,075
Collected 2004	236,075
Collected 2005	238,070
Collected 2006	<u>287,595</u>
Total balance	<u>\$1,207,472</u>

The Culinary Water Impact Fee is accumulated to fund the development of water rights owned by the City. This year the City budgeted \$546,830 of these funds to re-drill the 500 West well site. Bidding for the project was unsuccessful. \$850,000 has been appropriated in the 2007 budget to again try and accomplish this plan.

**SECONDARY WATER IMPACT FEE**

Deficit balance	\$(115,822)
-----------------	-------------

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. This coming year \$497,000 is appropriated to finish the Jensen pump house.

**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 GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
Syracuse City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Syracuse City, as of and for the year ended June 30, 2006, which collectively comprise Syracuse City's basic financial statements and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Syracuse City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Syracuse City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions 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

Honorable Mayor and City Council  
Page 2

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

We also noted certain additional matters that we reported to management of Syracuse City in a separate letter dated September 1, 2006.

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

WOOD Richards & Associates

Ogden, Utah  
September 1, 2006

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

Honorable Mayor and City Council  
Syracuse City, Utah

**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, 2006. 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 on Syracuse City's compliance with those requirements.

As described in section III in the accompanying schedule of findings and questioned costs, Syracuse City did not comply with requirements regarding Davis-Bacon wages that are applicable to its Community Development Block Grants/Brownfields Economic Development Initiative. Compliance with such requirements is necessary, in our opinion, for Syracuse City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph 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, 2006. 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, 2006.

**Internal Control Over Financial Reporting**

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 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Syracuse City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as section III.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Syracuse City, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 1, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Syracuse City's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Wood Richards & Associates*

Ogden, Utah  
September 1, 2006

**SYRACUSE CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Grantor Pass Through/Grantor Program Title	Federal CFDA Number	Pass-through Entity Number	Federal Award Expended
Major Programs:			
Department of Housing and Urban Development EDI Special Projects	14.246	N/A	497,050
Department of Homeland Security Assistance to Firefighter Grant	97.044	N/A	118,370
Non-Major Programs:			
Department of Agriculture Natural Resources Conservation	10.902	N/A	2,300
Department of Justice COPS	16.710	N/A	81,000
Department of Homeland Security Homeland Security Grant Program	97.067	N/A	<u>41,072</u>
Total Expenditures of Federal Awards			<u>\$ 739,792</u>

See Accompanying Notes.

**SYRACUSE CITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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 2006 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, 2006.

- 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, 2006**

**Section II – Financial Statement Findings**

This section identifies the reportable conditions, 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 section III.

**Section III – Federal Award Findings and Questioned Costs**

Department of Housing and Urban Development

Community Development Block Grants/Brownfields Economic Development Initiative –  
CFDA No. 14.246

*Condition and Criteria:* The project required the payment of Davis-Bacon wages and the submission of certified payrolls. Although the general contractor's wages were generally adequate, the subcontractors were lower. Also, certified payrolls were not submitted.

*Effect:* Wages on the project that were lower than Davis-Bacon are considered a questioned cost.

*Cause:* The grant manager did not review the contract specifications developed by the architect.

*Population and items tested:* A sample of 2 grants totaling \$615,420 was selected for audit from a population of 5 grants totaling \$739,792. One grant with questioned costs totaling \$24,000 was found in noncompliance.

*Auditor's Recommendations:* The City's grant manager should review the architect's specifications for federal compliance before projects are released for bid.

*Grantee response:* The City agrees with the finding and has instructed the grant manager to review all contract specifications before projects are bid.

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified  
 Internal control over financial reporting:  
   Material weakness(es) identified? \_\_\_\_\_ yes X no  
   Reportable condition(s) identified  
   not considered to be material weaknesses? X yes \_\_\_\_\_ no

Noncompliance material of financial  
 statements noted? \_\_\_\_\_ yes X no

**Federal Awards**

Internal Control over major programs:  
   Material weakness(es) identified? \_\_\_\_\_ yes X no  
   Reportable condition(s) identified  
   not considered to be material weaknesses? X yes \_\_\_\_\_ no

Type of auditors’ report issued on compliance  
 for major programs: Qualified

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

Identification of major programs:

CFDA Number(s)    Name of Federal Program or Cluster

14.246 EDI Special Projects  
 97.044 Assistance to Firefighters Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

**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, 2006 and have issued our report thereon dated October 20, 2006. 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, 2006. 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).

Parks and Recreation  
EMS Council  
Arts Council

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.

Independent Auditors' Report State of Utah Legal Compliance  
Page 2

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, 2006.

Wood Richards & Associates

Ogden, Utah  
September 1, 2006

**SYRACUSE CITY  
SUMMARY OF FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2006**

Finding #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 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 #2: State law requires that the general fund balance not exceed 18% of the total estimated revenue of the general fund. The current unreserved general fund balance is in excess of this limitation.

Recommendation: We recommend the City budget to have this excess fund balance expended or transferred in the 2007 fiscal year as required by state law.

Response: The 2007 adopted budget appropriated \$765,526 of the \$1,323,406 (22.5% of budgeted revenues) general fund balance. This brings the unappropriated remainder to \$557,880 or 9.5%.

Finding # 3: 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 to meet the new detail and timeline requirements.

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