

HERRIMAN CITY

**Annual Financial Report
Fiscal Year Ended June 30, 2007
(With Auditor's Report Therein)**

HERRIMAN CITY

Table of Contents

Financial Section:	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	2
Basic Financial Statements:	
Government-wide Fund Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	11
Government Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of the Balance Sheet – Governmental Funds to the	
Statement of Net Assets.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	
Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances – Governmental Funds to the Statement of Activities.....	15
Proprietary Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds.....	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets	
Proprietary Funds.....	17
Statement of Cash Flows – Proprietary Funds.....	18
Notes to the Financial Statements.....	19
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund.....	33
Budgetary Comparison Schedule – Parks Special Revenue Fund.....	34
Budgetary Comparison Schedule – Flood Control Special Revenue Fund.....	35
Budgetary Comparison Schedule – Road Special Revenue Fund.....	36
Budgetary Comparison Schedule – Water Rights Special Revenue Fund.....	37
Budgetary Comparison Schedule – Public Safety.....	38
Supplementary Information:	
Governmental Funds	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Non-major Governmental Funds.....	40
Budgetary Comparison Schedules:	
Capital Improvement Fund.....	41
Street Lights Special Revenue Fund.....	42
Water Impact Fees Special Revenue Fund.....	43
Debt Service Fund.....	44
Fire Impact Special Revenue Fund.....	45
Auditors' Opinion on State Compliance.....	46
Report on Compliance and on Internal Control over Financial Reporting	
Based on an Audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	47
Schedule of Impact Fees.....	48

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Herriman City, Utah

December 6, 2007

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Herriman City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 issued a report dated December 6, 2007 on our consideration of the Herriman City's internal control over financial reporting and on our test of its compliance with certain provision 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 conjunction with this report in considering the results of our audit.

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

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

HEBER OFFICE
45 SOUTH MAIN ST.
HEBER, UTAH 84032
(435) 654-6477
FAX (801) 373-5622

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Herriman City's basic financial statements. The combining and individual nonmajor fund financial statements, and impact fee analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The impact fee analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



GILBERT & STEWART
Certified Public Accountants

HERRIMAN CITY

Management's Discussion and Analysis Fiscal Year Ended June 30, 2007

Herriman City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2007. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The assets of Herriman City exceeded its liabilities at the end of the current fiscal year by \$138,097,836 (net assets). Of this amount, \$2,879,954 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$38,216,758

The City's governmental funds reported a combined ending fund balance of \$1,691,707. Of the combined total fund balance, \$1,691,707 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the general fund at June 30, 2007, totaled \$1,691,707 and is 17% of the general fund total revenues for the year. Total debt for Herriman City increased approximately \$9,688,906. The City issued water revenue bonds series 2005 for \$4,889,000. The City purchased land on the installment basis. The installment obligation at year end was \$5,286,906.

The property tax for the fire department was separated from the City this year which will result in a decrease in property tax revenue of approximately \$1,000,000 in 2008.

The City issued new revenue water bonds in September of 2007 for about \$10,000,000. The Water bonds series 2005 and the water anticipation bonds were refunded with this issue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Herriman City's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide Financial Statements give readers a broad overview of the entire City's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the statement of net assets and the statement of activities.

The statement of net assets shows Herriman City's entire assets and liabilities with the difference shown as net assets. Increases or decreases over time in net assets gives an indicator as to whether the financial condition of Herriman is improving or declining.

The statement of activities shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for Herriman City include general government, administration, facilities, information technology, storm drain, public safety, community development, streets, cemetery, and other departments. The business-type activities include water and sewer.

The government-wide financial statements include Herriman City itself and the Municipal Building Authority which is a legally separate entity from the City, but for all practical purposes functions as a part of the City and is therefore blended as an integral part of the primary government. The government-wide financial statements are found immediately following this discussion and analysis.

Fund Financial Statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Herriman City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds and proprietary funds. Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements to aid in the comparison.

Herriman City uses six major government funds. Of this number, information is shown separately for the general fund, the parks special revenue fund, the flood control special revenue fund, the road special revenue fund, the water rights special revenue fund, and the public safety special revenue fund, all of which are deemed major funds. Information from the other funds is presented in a single combined column. Individual presentations for these non-major funds are contained in individual information shown after the notes to the financial statements as listed in the table of contents. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The enterprise fund consists of the water operations of the City, which is a major fund of Herriman City. The enterprise fund reports the same functions as the business-type activities in the government-wide financial statements. Proprietary funds present the same information as in the government-wide statements, except in more detail.

Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

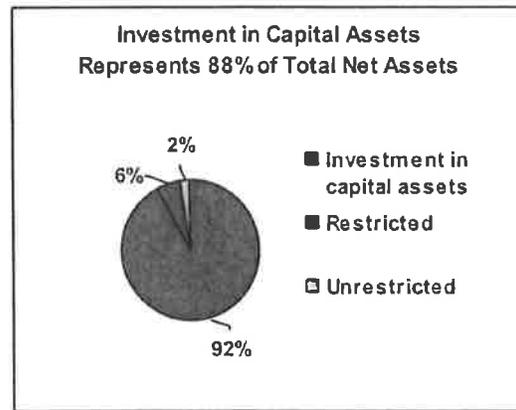
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Herriman City Statement of Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current assets	\$ 10,823,013	\$ 11,897,530	\$ 6,205,720	\$ 3,227,914	\$ 17,028,733	\$ 15,125,444
Non-current assets	169,388	211,628	1,033,134	697,066	1,202,522	908,694
Capital assets	111,064,309	72,119,853	31,835,266	26,576,608	142,899,575	98,696,461
Other assets	18,359	27,171	110,580	75,685	128,939	102,856
Total assets	<u>122,075,069</u>	<u>84,256,182</u>	<u>39,184,700</u>	<u>30,577,273</u>	<u>161,259,769</u>	<u>114,833,455</u>
Current liabilities	2,383,513	2,438,778	11,075,032	703,866	13,458,545	3,142,644
Non-current liabilities	6,280,486	2,649,029	3,422,902	9,160,704	9,703,388	11,809,733
Total liabilities	<u>8,663,999</u>	<u>5,087,807</u>	<u>14,497,934</u>	<u>9,864,570</u>	<u>23,161,933</u>	<u>14,952,377</u>
Net assets						
Investment in capital assets, net of related debt	103,410,726	70,058,650	23,501,305	17,186,160	126,912,031	87,244,810
Restricted	7,272,717	6,326,742	1,033,134	-	8,305,851	6,326,742
Unrestricted	2,727,627	2,782,983	152,327	3,526,543	2,879,954	6,309,526
Total net assets	<u>113,411,070</u>	<u>79,168,375</u>	<u>24,686,766</u>	<u>20,712,703</u>	<u>138,097,836</u>	<u>99,881,078</u>
Total liabilities and net assets	<u>\$ 122,075,069</u>	<u>\$ 84,256,182</u>	<u>\$ 39,184,700</u>	<u>\$ 30,577,273</u>	<u>\$ 161,259,769</u>	<u>\$ 114,833,455</u>

By far, the largest component of Herriman City's net assets is its investment in capital assets. The 92% of total net assets represents the City's investment in land and land improvements, buildings, machinery and equipment, roads, street lights, and bridges, less any related outstanding debt that was used to acquire these assets. Herriman City uses these capital assets to provide services to citizens who live, work, pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.



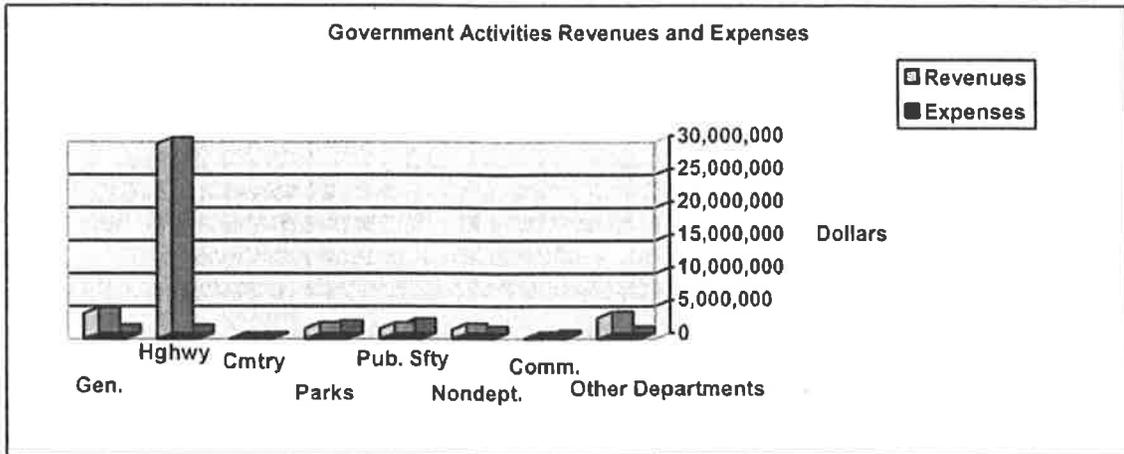
An additional part of net assets (6%) are assets that are subject to external restrictions on how they may be expended. The remaining 2% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

Herriman City's Changes in Net Assets

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
REVENUES				
Charges for services	\$ 8,725,582	\$ 11,062,475	\$ 2,863,608	\$ 2,274,444
Operating grants and contributions	572,601	503,217	-	-
Capital grants and contributions	31,613,345	9,160,143	2,746,150	3,907,724
General revenues:				
Property taxes, levied for general purposes	1,506,288	1,215,446	-	-
Franchise taxes	752,962	25,838	-	-
Sales taxes	1,374,765	961,598	-	-
Gain from sale of assets	10,821	47,053	8,773	-
Other revenues	15,989	90,391	25,000	543
Investment earnings	508,372	474,038	333,703	113,462
Total revenues	<u>45,080,725</u>	<u>23,540,199</u>	<u>5,977,234</u>	<u>6,296,173</u>
EXPENSES				
General government	1,268,514	1,788,650	-	-
Facilities	581,036	141,184	-	-
Information technology	163,366	109,019	-	-
Highway and streets	1,198,351	1,995,291	-	-
Storm drain	249,546	118,845	-	-
Cemetery	69,808	66,038	-	-
Parks	1,854,492	1,837,391	-	-
Public safety	2,192,843	1,833,965	-	-
Nondepartmental	955,254	617,929	-	-
Community development	349,138	780,389	-	-
Interest on long-term debt	56,325	146,905	-	-
Water	-	-	3,902,528	2,928,964
Total expenses	<u>8,938,673</u>	<u>9,435,606</u>	<u>3,902,528</u>	<u>2,928,964</u>
OTHER SOURCES				
Transfers in	-	-	1,899,357	1,456,052
Transfers out	(1,899,357)	(1,456,052)	-	-
Total other sources	<u>(1,899,357)</u>	<u>(1,456,052)</u>	<u>1,899,357</u>	<u>1,456,052</u>
CHANGES IN NET ASSETS	34,242,695	12,648,541	3,974,063	4,823,261
NET ASSETS, JULY 1, 2006	79,168,375	66,519,834	20,712,703	15,889,442
NET ASSETS, JUNE 30, 2007	\$ 113,411,070	\$ 79,168,375	\$ 24,686,766	\$ 20,712,703

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities' net assets increased by \$34,242,695 for the year ended June 30, 2007. Governmental activities contributed to 90% of the increase in total City net assets during the year. The major reason for the increase is the contributions from developers for subdivisions and impact fees for new homes. The City also collected various other taxes and revenues above the amount needed for governmental activities.

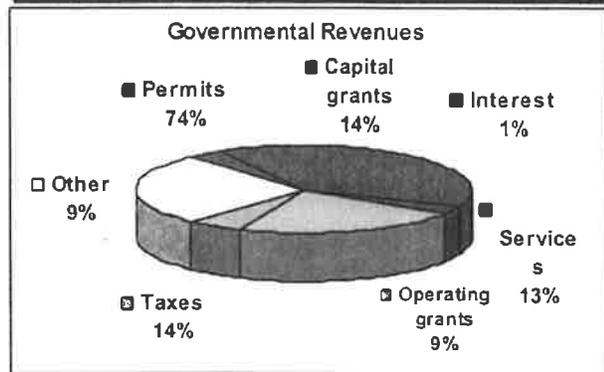
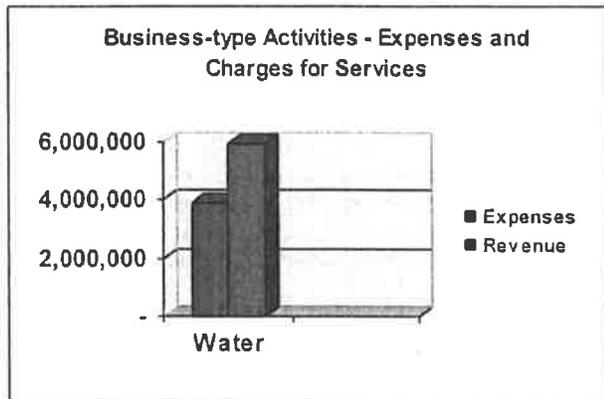


Business-type activities contributed an amount of \$3,974,063 or 10% of the total increase to net assets. The most significant reason for this increase in business-type activities is a capital contribution from developers.

FINANCIAL ANALYSIS OF HERRIMAN CITY'S FUNDS

Herriman City's governmental funds provide information on the short-term resource inflows and outflows, and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2007.

For the period ended June 30, 2007, the City's governmental funds reported combined net assets in the amount of \$9,401,092 with an increase of \$101,728, compared with the prior fiscal year. Of the total balance at year-end, \$2,635,121 is unreserved and undesignated. Of the remaining \$6,765,971 of combined net assets, \$333,821 is reserved for servicing the City's debt, with the remaining \$6,432,150 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2007, the general fund's unreserved fund balance was \$1,691,707, while total fund balance equaled \$1,691,707. The total fund balance of the general fund for Herriman City decreased by \$610,225. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year.

The special revenue funds account for impact fees which are restricted for special projects. The parks special revenue fund balance increased \$113,232. The fund balance in the flood control fund decreased by \$65,317. The road special revenue fund balance increased by \$253,335. The public safety special revenue fund balance increased by \$117,477, and the water rights special revenue fund increased by \$58,160.

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's major proprietary fund totaled \$152,327. Discussions about the finances of this fund are addressed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets for the general fund amounted to a total increase in appropriations of \$3,989,706. Most of the increase was a result of extra functions in the general fund including the community affairs department.

The differences between the original and final budget was the installment obligation on a land purchase and leased capital assets. There was also a transfer of funds to the capital projects fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Herriman City's investment in capital assets for its governmental and business type activities has a combined total of \$142,899,575 (net of \$10,699,070 accumulated depreciation) at June 30, 2007. Types of assets included in this category are land, buildings and related improvements, vehicles, machinery and equipment, roads (including curb and gutter), street lights, traffic signals, water and waste water distribution and collection systems, and construction in progress of \$3,434,445. The City's investment in net capital assets equals nearly 89% of total assets. Governmental activities net capital assets to governmental activities assets equaled 91% while business-type activities percentage was 81%.

Major capital asset activities that occurred during the past fiscal year include:

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 47,434,339	\$ 17,961,673	\$ 1,457,212	\$ 1,457,212
Easements	30,000	-	-	-
Infrastructure	53,916,497	41,890,180	-	-
Buildings	6,085,389	5,205,973	58,400	58,400
Water rights	-	-	4,598,752	3,981,625
Improvements, other than buildings	7,341,032	6,900,922	25,156,575	21,752,973
Vehicles	1,560,174	1,414,335	263,127	264,390
Office furniture and equipment	1,911,754	1,468,522	350,948	210,608
Construction in progress	947,348	2,644,752	2,487,097	501,188
Accumulated depreciation	(8,162,224)	(5,366,506)	(2,536,845)	(1,649,788)
Net book value	<u>\$ 111,064,309</u>	<u>\$ 72,119,851</u>	<u>\$ 31,835,266</u>	<u>\$ 26,576,608</u>

At June 30, 2007, Herriman City's total bond amounted to \$15,181,838 of which \$13,943,838 was incurred by the City's business-type activities and the remaining \$1,238,000 was incurred by the City's governmental units. The bulk, or 72%, of the City's debt is known as revenue bonds and is secured by specific revenue sources (i.e. property taxes, and water and sewer revenues). The remaining debt balance is secured by various general fixed assets owned by the City. The City also incurred an installment obligation of \$5,286,906.

Additional information on Herriman City's capital assets and debt can be found in Note 6 in the Notes to the City's Basic Financial Statement.

**Herriman City's Outstanding Debt
General Obligation and Revenue**

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ 1,238,000	\$ 1,505,000	\$ 13,943,838	\$ 9,272,103	\$ 15,181,838	\$ 10,777,103
Installment obligation	5,286,906	-	-	-	5,286,906	-
Capital leases	457,712	583,374	113,503	118,346	571,215	701,720
Total	\$ 6,982,618	\$ 2,088,374	\$ 14,057,341	\$ 9,390,449	\$ 21,039,959	\$ 11,478,823

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of July 2007, the state unemployment rate was 2.6%, down from 5.1% the previous year. This is consistent with the nationwide decrease in unemployment rates as the economy continues to recover. Currently, Herriman City is experiencing a similar economic pick-up consistent with the rest of the nation.

The City has experienced rapid growth with several subdivisions that will bring in more property taxes in future years. The rates and fees for most services remained constant for fiscal year end 2006 compared with the fiscal year just ended.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of Herriman City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Herriman City, 13011 S. Pioneer Street, Herriman, Utah 84065.

HERRIMAN CITY

Statement of Net Assets June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents			
Restricted	\$ 6,628,382	\$ 5,764,174	\$ 12,392,556
Unrestricted	3,081,540	37,396	3,118,936
Receivables			
Property, and franchise and excise taxes	771,829	-	771,829
Other receivables, less allowance for doubtful accounts of \$0	172,159	-	172,159
Internal balances	166,000	(166,000)	-
Accounts, less allowance for doubtful accounts of \$0	-	324,480	324,480
Prepaid expenses	3,103	-	3,103
Inventory	-	245,670	245,670
Total current assets	<u>10,823,013</u>	<u>6,205,720</u>	<u>17,028,733</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	<u>169,388</u>	<u>1,033,134</u>	<u>1,202,522</u>
Property and equipment, at cost			
Land and water rights	47,434,339	6,055,964	53,490,303
Easements	30,000	-	30,000
Infrastructure	48,720,335	-	48,720,335
Buildings	5,564,862	55,236	5,620,098
Improvements, other than buildings	6,110,588	22,849,468	28,960,056
Vehicles	957,793	160,238	1,118,031
Office furniture and equipment	1,299,044	227,263	1,526,307
Construction in progress	947,348	2,487,097	3,434,445
Net property and equipment	<u>111,064,309</u>	<u>31,835,266</u>	<u>142,899,575</u>
Other non-current assets			
Bond issue costs, less accumulated amortization of \$37,822	18,359	110,580	128,939
Water rights	-	-	-
Total other noncurrent assets	<u>18,359</u>	<u>110,580</u>	<u>128,939</u>
Total assets	<u>\$ 122,075,069</u>	<u>\$ 39,184,700</u>	<u>\$ 161,259,769</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Net Assets, Continued June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 473,490	\$ 257,974	\$ 731,464
Current portion of long-term debt payable from restricted assets	267,000	10,598,838	10,865,838
Current portion of capital leases	208,799	55,230	264,029
Current portion installment obligation	956,796	-	956,796
Accrued liabilities	137,889	11,616	149,505
Deferred revenue	315,072	-	315,072
Accrued interest, payable from restricted assets	24,467	151,374	175,841
Total current liabilities	<u>2,383,513</u>	<u>11,075,032</u>	<u>13,458,545</u>
NONCURRENT LIABILITIES			
Long-term compensation liability	65,606	19,629	85,235
Bonds payable from restricted sources	971,000	3,345,000	4,316,000
Capital leases	248,913	58,273	307,186
Installment obligations	4,330,110	-	4,330,110
Construction bonds	664,857	-	664,857
Total noncurrent liabilities	<u>6,280,486</u>	<u>3,422,902</u>	<u>9,703,388</u>
Total liabilities	<u>8,663,999</u>	<u>14,497,934</u>	<u>23,161,933</u>
NET ASSETS			
Investment in capital assets, net of related debt	103,410,726	23,501,305	126,912,031
Restricted for:			
Capital projects	7,103,330	-	7,103,330
Other restricted	169,387	1,033,134	1,202,521
Unrestricted	2,727,627	152,327	2,879,954
Total net assets	<u>113,411,070</u>	<u>24,686,766</u>	<u>138,097,836</u>
Total liabilities and net assets	<u>\$ 122,075,069</u>	<u>\$ 39,184,700</u>	<u>\$ 161,259,769</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Activities Fiscal Year Ended June 30, 2007

Functions and Programs	Program Revenues					Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Primary Government		
						Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Government activities								
General government	\$ 1,268,514	\$ 3,864,463	\$ 44,000	\$ -	\$ 2,639,949	\$ -	\$ -	\$ 2,639,949
Facilities	581,036	-	-	-	(581,036)	-	-	(581,036)
Information technology	163,366	-	-	-	(163,366)	-	-	(163,366)
Highway and streets	1,198,351	24,948	522,704	29,157,347	28,506,648	-	-	28,506,648
Storm Drain	249,546	849,703	-	1,659,658	2,259,815	-	-	2,259,815
Cemetery	69,808	19,906	-	-	(49,902)	-	-	(49,902)
Public safety	2,192,843	1,602,619	5,897	-	(584,327)	-	-	(584,327)
Parks	1,854,492	822,636	-	796,340	(235,516)	-	-	(235,516)
Non-departmental	955,254	1,441,582	-	-	486,328	-	-	486,328
Community development	349,138	99,725	-	-	(249,413)	-	-	(249,413)
Interest on long-term debt	58,325	-	-	-	(58,325)	-	-	(58,325)
Total government activities	8,938,673	8,725,582	572,601	31,613,345	31,972,855	-	-	31,972,855
Business-type activities								
Water and sewer	3,902,528	2,863,608	-	2,746,150	-	1,707,230	1,707,230	1,707,230
Total business-type activities	3,902,528	2,863,608	-	2,746,150	-	1,707,230	1,707,230	1,707,230
Total primary government	\$ 12,841,201	\$ 11,589,190	\$ 572,601	\$ 34,359,495	\$ 31,972,855	\$ 1,707,230	\$ 1,707,230	\$ 33,680,085
General revenues								
Taxes								
Property taxes, levied for general purposes					1,506,288	-	-	1,506,288
Franchise taxes					752,962	-	-	752,962
Sales taxes					1,374,765	-	-	1,374,765
Sale of assets					10,821	8,773	19,594	19,594
Other revenues					15,989	25,000	40,989	40,989
Transfers					(1,899,357)	1,899,357	-	-
Investment earnings					508,372	333,703	842,075	842,075
Total general revenues, special items, and transfers					2,269,840	2,266,833	4,536,673	4,536,673
Changes in net assets					34,242,695	3,974,063	38,216,758	38,216,758
Net assets, July 1, 2006					79,168,375	20,712,703	99,881,078	99,881,078
Net assets, June 30, 2007					\$ 113,411,070	\$ 24,686,766	\$ 138,097,836	\$ 138,097,836

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Balance Sheet
Governmental Funds
June 30, 2007

	General	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Roads	Special Revenue Water Rights	Special Revenue Public Safety	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 2,108,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 972,885	\$ 3,081,540
Receivables								
Property, franchise, and excise tax	771,829	-	-	-	-	-	-	771,829
Other receivables, less allowance for doubtful loans of \$0	172,159	-	-	-	-	-	-	172,159
Due from other funds	166,000	-	-	-	-	-	-	166,000
Prepaid expenses	-	-	-	-	-	3,104	-	3,104
Cash and cash equivalents	-	181,088	980,349	2,807,018	1,370,491	114,373	1,344,450	6,797,769
Total assets	\$ 3,218,643	\$ 181,088	\$ 980,349	\$ 2,807,018	\$ 1,370,491	\$ 117,477	\$ 2,317,335	\$ 10,992,401
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 409,117	\$ 16,655	\$ 75	\$ 7,832	\$ 10,340	\$ -	\$ 29,471	\$ 473,490
Accrued liabilities	137,890	-	-	-	-	-	-	137,890
Construction bonds	664,857	-	-	-	-	-	-	664,857
Deferred revenue	315,072	-	-	-	-	-	-	315,072
Total liabilities	1,526,936	16,655	75	7,832	10,340	-	29,471	1,591,309
FUND BALANCES								
Unreserved	1,691,707	-	-	-	-	-	943,414	2,635,121
Reserved for:								
Bond sinking funds	-	164,433	-	-	-	-	169,388	333,821
Other purposes	-	-	980,274	2,799,186	1,360,151	117,477	1,175,062	6,432,150
Total fund balances	1,691,707	164,433	980,274	2,799,186	1,360,151	117,477	2,287,864	9,401,092
Total liabilities and fund balances	\$ 3,218,643	\$ 181,088	\$ 980,349	\$ 2,807,018	\$ 1,370,491	\$ 117,477	\$ 2,317,335	\$ 10,992,401

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2007

Total Fund Balance \$ 9,401,092

Total net assets reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. Those
assets consist of:

Land	\$ 47,434,339	
Infrastructure	53,916,497	
Easements	30,000	
Buildings	6,085,390	
Improvements, other than buildings	7,341,030	
Office equipment	1,911,756	
Construction in progress	947,348	
Vehicles	1,560,175	
Less accumulated depreciation	<u>(8,162,225)</u>	
Total capital assets		111,064,310

Bond costs are expensed in governmental funds and
capitalized and amortized in government wide statements 18,359

Long-term liabilities applicable to the City's governmental
activities are not due and payable in the current period, and
accordingly, are not reported as fund liabilities. Interest on
long-term debt is not accrued in governmental funds, but
rather as an expenditure when due. All liabilities, both
current and long-term are reported in the statements of net
assets.

Accrued liabilities:

Obligation for compensation liabilities due after one year	(65,606)	
Accrued interest on bonds	(24,467)	
Bonds payable	(1,238,000)	
Installment obligations	(5,286,906)	
Capital leases	<u>(457,712)</u>	
Total liabilities		<u>(7,072,691)</u>

Total net assets of governmental activities \$ 113,411,070

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Fiscal Year Ended June 30, 2007

	General	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Roads	Special Revenue Water Rights	Special Revenue Public Safety	Other Governmental Funds	Totals
REVENUES								
General property taxes	\$ 1,506,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,506,288
Sales, use, and excise taxes	1,374,765	-	-	-	-	-	-	1,374,765
Franchise taxes	752,962	-	-	-	-	-	-	752,962
Licenses	44,708	-	-	-	-	-	-	44,708
Permits	4,203,256	-	-	-	-	-	-	4,203,256
Interest	227,922	7,587	73,912	80,709	73,071	-	159,777	622,978
Intergovernmental	528,601	-	-	-	-	-	-	528,601
Fines	183,461	-	-	-	-	-	-	183,461
Impact fees	-	746,411	1,306,767	1,008,485	845,426	1,325,493	1,013,211	6,245,793
Charges for services	451,805	-	-	-	-	-	-	451,805
Contributions	200	-	-	-	-	-	-	200
Grants	67,460	-	-	-	-	-	-	67,460
Sale of assets	103,577	-	-	-	-	-	-	103,577
Miscellaneous	26,655	-	-	-	-	-	-	26,655
Total revenues	<u>9,471,660</u>	<u>753,998</u>	<u>1,380,679</u>	<u>1,089,194</u>	<u>918,497</u>	<u>1,325,493</u>	<u>1,172,988</u>	<u>16,112,509</u>
EXPENDITURES								
Current								
Administration	1,291,615	-	-	-	-	-	-	1,291,615
Facilities	240,869	-	-	-	-	-	-	240,869
Information technology	253,744	-	-	-	-	-	-	253,744
Highway and streets	1,071,654	-	-	-	-	-	-	1,071,654
Street lights	244,192	-	-	-	-	-	-	244,192
Storm drain maintenance	209,798	-	-	-	-	-	-	209,798
Street signs	130,122	-	-	-	-	-	-	130,122
Cemetery	70,883	-	-	-	-	-	-	70,883
Public safety	935,418	-	-	-	-	1,208,016	-	2,143,434
Parks and recreations	1,748,549	-	-	-	-	-	-	1,748,549
Community affairs	6,100,324	-	-	-	-	-	-	6,100,324
Engineering	820,792	-	-	-	-	-	-	820,792
Fleet management	60,028	-	-	-	-	-	-	60,028
Community development	655,116	-	-	-	-	-	-	655,116
Capital outlay	-	855,766	1,445,996	835,859	860,337	-	1,324,104	5,322,062
Principal	-	-	-	-	-	-	267,000	267,000
Interest and other fiscal charges	-	-	-	-	-	-	69,570	69,570
Total expenditures	<u>13,833,104</u>	<u>855,766</u>	<u>1,445,996</u>	<u>835,859</u>	<u>860,337</u>	<u>1,208,016</u>	<u>1,660,674</u>	<u>20,699,752</u>
Revenues over (under) expenditures	<u>(4,361,444)</u>	<u>(101,768)</u>	<u>(65,317)</u>	<u>253,335</u>	<u>58,160</u>	<u>117,477</u>	<u>(487,886)</u>	<u>(4,587,243)</u>
OTHER FINANCING SOURCES (USES)								
Lease proceeds	123,313	-	-	-	-	-	-	123,313
Installment sale proceeds	5,286,906	-	-	-	-	-	-	5,286,906
Operating transfers in	100,000	400,000	-	-	-	-	1,544,000	2,044,000
Operating transfers out	(1,759,000)	(185,000)	-	-	-	-	(724,779)	(2,668,779)
Total other financing	<u>3,751,219</u>	<u>215,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,221</u>	<u>4,785,440</u>
Revenue and other sources over (under) expenditures and other uses	<u>(610,225)</u>	<u>113,232</u>	<u>(65,317)</u>	<u>253,335</u>	<u>58,160</u>	<u>117,477</u>	<u>331,535</u>	<u>198,197</u>
FUND BALANCE, JULY 1, 2006	<u>2,301,932</u>	<u>51,201</u>	<u>1,045,591</u>	<u>2,545,851</u>	<u>1,301,991</u>	<u>-</u>	<u>1,956,329</u>	<u>9,202,895</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,691,707</u>	<u>\$ 164,433</u>	<u>\$ 980,274</u>	<u>\$ 2,799,186</u>	<u>\$ 1,360,151</u>	<u>\$ 117,477</u>	<u>\$ 2,287,864</u>	<u>\$ 9,401,092</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances - Governmental Funds to the Statement of Activities Fiscal Year Ended June 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	198,197
The change in net assets reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$10,486,006) is more than depreciation expense (\$2,861,970).			
			7,624,036
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			
			267,000
Loan and lease proceeds are recorded as income in the fund statement and as a liability in the government wide statement.			
			(123,313)
Installment obligations are recorded as income in the fund statement and as a liability in the government wide statement.			
			(5,286,906)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. This adjustment is as follows:			
Accrued Leave	\$	9,139	
Accrued interest		<u>12,236</u>	
			21,375
Contributions from the developer from assets contributed to the City are financial resources not reported as revenues in the funds.			
			31,613,345
Proceeds from the sale of assets are recorded as revenue in the governmental funds and are calculated in the gain on sale of assets in the government wide statement.			
			(62,226)
Bond costs are an expenditure in the governmental funds and are capitalized and amortized in the government wide statement.			
			<u>(8,813)</u>
Change in net assets of governmental activities		\$	<u><u>34,242,695</u></u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Net Assets Proprietary Funds June 30, 2007

	<u>Business-type Activities Water/Sewer</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ 5,764,174
Unrestricted	37,396
Receivables	
Accounts, less allowance for doubtful accounts of \$0	324,480
Inventory	245,670
Total current assets	<u>6,371,720</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>1,033,134</u>
Property and equipment, at cost	
Land and water rights	6,055,964
Buildings	58,400
Vehicles	263,127
Improvements, other than buildings	25,156,574
Office furniture and equipment	350,950
Work in process	2,487,097
Accumulated depreciation	(2,536,846)
Net property and equipment	<u>31,835,266</u>
Bond issue costs, less accumulated amortization of \$10,560	110,580
Total noncurrent assets	<u>110,580</u>
Total assets	<u>\$ 39,350,700</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 257,974
Current portion of long-term debt payable from restricted assets	10,597,000
Current portion of capital leases	55,230
Due to other funds	166,000
Accrued liabilities	11,616
Accrued interest	151,374
Total current liabilities	<u>11,239,194</u>
NONCURRENT LIABILITIES	
Long-term compensation liability	19,629
Capital leases	58,273
Bonds payable from restricted assets	3,346,838
Total noncurrent liabilities	<u>3,424,740</u>
Total liabilities	<u>14,663,934</u>
NET ASSETS	
Investment in capital assets, net of related debt	23,501,305
Restricted for:	
Capital projects	-
Debt service	1,033,134
Unrestricted	152,327
Total net assets	<u>24,686,766</u>
Total liabilities and net assets	<u>\$ 39,350,700</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds Fiscal Year Ended June 30, 2007

	Business-type Activities Water/Sewer
OPERATING REVENUE	
Sales and charges for services	\$ 2,863,608
Total operating revenue	<u>2,863,608</u>
OPERATING EXPENSES	
Personal services	626,117
Supplies	855,985
Water purchases	1,224,720
Utilities	196,559
Depreciation and amortization	922,934
Total expenses	<u>3,826,315</u>
Operating income (loss)	<u>(962,707)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	333,703
Other revenue	33,773
Interest expense	(76,213)
Total nonoperating revenues (expenses)	<u>291,263</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	4,020,728
Total capital contributions	<u>4,020,728</u>
Transfers	
Transfers in	<u>624,779</u>
Increase in net assets	3,974,063
NET ASSETS, JULY 1, 2006	<u>20,712,703</u>
NET ASSETS, JUNE 30, 2007	<u>\$ 24,686,766</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,746,167
Payments to suppliers	(2,372,231)
Payments to employees	(622,583)
Net cash provided by operating activities	<u>(248,647)</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Transfers	624,779
Net cash provided by non capital financing	<u>624,779</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond proceeds	4,889,000
Purchase of capital assets	(2,126,251)
Principal paid on bonds and leases	(274,747)
Proceeds from sale of assets	26,800
Bond costs	(34,895)
Interest paid on bonds and leases	(76,871)
Net cash used in capital and related financing activities	<u>2,403,036</u>
Cash flows from investing activities	
Investment earnings	333,703
Other receipts	25,000
Net cash provided from investing activities	<u>358,703</u>
Net increase in cash and cash equivalents	3,137,871
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,696,833</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,834,704</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (962,707)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	922,934
Increase (decrease) due to changes in:	
Accounts receivable	(117,441)
Inventory	(58,563)
Accounts payable	(32,927)
Accrued liabilities affecting operating activities	(3,534)
Other liabilities	3,591
Net cash provided by operating activities	<u>\$ (248,647)</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Notes to the Financial Statements Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Herriman City was incorporated May 17, 1999. The City operates under a mayor-council form of government and provides the following services authorized by its charter: facilities, information technology, public safety, highways and streets, public improvements, parks, recreation, planning and zoning, water, and general administrative.

Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds, agencies, and authorities for which the City holds corporate powers and all component units for which the City is financially accountable. The Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*, has established criteria to consider in determining financial accountability. The criteria are: appointment of a majority of the voting members of an organization's governing board, and either (1) the City has the ability to impose its will on the organization or (2) there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As required by accounting principles generally accepted in the United States of America, these financial statements represent Herriman City, the primary government, and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

The Herriman Municipal Building Authority is a legally separate entity from the City, but is part of the City, and is blended into the general fund. The sole purpose of the Municipal Building Authority is to serve the City as a financing agency for debt financed projects. The Herriman City Council serves as the Board of Directors of the Municipal Building authority.

Basis of Presentation – Government-Wide and Fund Financial Statements

Government-wide statements are comprised of the statement of net assets and the statement of activities. They contain information on all of the activities of the primary government and its components. Most effects of inter-fund activities have been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues, while business-type activities receive a significant portion of revenues from fees and charges for services.

The statement of activities is presented to show the extent that program revenues of a given activity support direct expenses. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenues are: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given activity, or (2) grants or other contributions that are restricted to operations or capital needs of a specific activity. General revenues are those revenues, like taxes and other items, that are not properly reported as program revenues. Indirect expense allocated between departments is related to depreciation on assets. The depreciation expense is allocated based on the use of the asset by the departments.

Separate financial statements are included for governmental funds and proprietary funds. Major individual governmental funds are reported in separate columns in the governmental funds statements as are major individual proprietary funds in the proprietary funds statements.

Measurement Focus and Basis of Accounting

Measurement focus refers to the types of assets that appear on the statement of net assets, and changes to those same assets, that appear on the statement of activities. The flow of financial resources measurement focus shows current assets and liabilities on the statement of net assets, and changes to net current assets, in the statement of activities. The flow of economic resources measurement focus shows total assets and liabilities on the statement of net assets, and changes to net assets, on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-Wide and Proprietary Fund Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of the timing of the related cash flows. Unbilled fees for proprietary funds are recorded as receivables at year end. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar other contributions are recognized as revenue as soon as the eligibility requirements of the provider have been met.

Herriman City's major enterprise fund is the water fund. The fund collects fresh water from springs and wells, treats it, and delivers potable water to nearly all residents and businesses located in the City.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are fees charged to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses, and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

Governmental Fund Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. As a practical matter, Herriman City uses 60 days as a cut-off for meeting the available criterion. Property taxes are considered "measurable" when levied and "available" when collected and held by the County. Any amounts not available are recorded as deferred revenue. Franchise taxes are considered "measurable" when collected and held by the utility company, and are recognized as revenue at that time. Other revenues that are determined to be susceptible to accrual include grants earned and other intergovernmental revenues, charges for services, and assessments. Property taxes and assessments are recorded as receivables when levied or assessed. However, they are reported as deferred revenue until the "available" criterion has been met. Sales and use taxes collected by the state and remitted to the City within the "available" time period are recognized as revenue. Revenues collected in advance are deferred and recognized in the period to which they apply.

Revenues that are determined to not be susceptible to accrual, because they are either not available soon enough to pay liabilities of the current period (60 days) or are not objectively measurable, include licenses, permits, and miscellaneous revenues. Revenue is recognized when cash is received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, except for long-term obligations (debt service payments and long term compensated absences) and related interest which are recognized as expenditures when due. Inventories of supplies are expended when purchased.

Herriman City has six major governmental funds: (1) the general fund, (2) the parks special revenue fund, (3) the flood control special revenue fund, (4) the road special revenue fund, and (5) the water rights special revenue fund, and (6) the public safety special revenue fund. The general fund is the main operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in another fund. The special revenue funds account for impact fee revenue and the construction of projects financed with impact fees. These constructed or improved capital assets are for the benefit of any or all governmental funds. In addition to the listed major governmental funds, the City also has a total of five non-major governmental funds: (1) the capital improvements fund (2) the street lights special revenue fund, (3) the water impact fees special revenue fund, (4) the debt service fund, and (5) the fire impact special revenue fund.

Budgets and Budgetary Accounting

Budgets are legally required for governmental funds. Annual budgets are prepared and adopted by the City Council on or before June 15 for the fiscal year commencing the following July 1, in accordance with Utah State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 15 a public hearing is conducted to obtain taxpayer input. Budgets are adopted by ordinance in total for each department. Expenditures cannot exceed appropriations at the department level. Management can move budgeted amounts from one line item to another within a department or decrease appropriations. The City Council can increase appropriations after holding a public hearing.

The governmental funds budget is prepared using the modified accrual basis of accounting. Governmental appropriations lapse at year-end.

Cash, Cash Equivalents, and Investments

The City complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value, and the change in fair value, to be included in revenues or expenses. The City's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The City's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements the City considers all highly liquid investments, (including restricted assets) that mature within ninety days or less when purchased, to be cash equivalents.

Depreciable Fixed Assets

Fixed assets are valued at historical cost or estimated historical cost for assets where actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City has a capitalization threshold of \$2,000 for infrastructure in the public right of way and \$500 for all other assets. The City follows GAAP by capitalizing a portion of its interest costs (net of any interest earned on related interest bearing investments acquired with proceeds of related tax-exempt borrowings) as a cost of constructed property and equipment in enterprise funds. Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Improvements, other than buildings	10-30
Machinery and equipment, including leased property under capital leases	5-15
Infrastructure in public way, including roads, signals, lights, and bridges	15-30
Water and sewer lines	30
Vehicles	5

Bond Issuance Costs and Amortization

Amortization of bond issue costs and bond discount are computed on the straight-line method over the life of the related bonds.

Property Taxes

Ad valorem (based on value) property taxes constitute a major source of general fund revenue. Taxes are levied through the passage of an ordinance in June of each year. The levy is applicable to only one year. All taxable property is required to be assessed and taxed at a uniform and equal rate on the basis of its fair market value. The County Assessor is required to assess all other taxable property and both entities are required to assess the respective types of property as of January 1, the assessment date. The County is then required to complete the tax rolls by May 15. By July 21 the County Treasurer is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by November 1, and on this same date, the Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30 with delinquent taxes being subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15 a lien is attached to the property and the amount of taxes and penalties bear interest from

January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis. With the July 1, 2000, adoption of Statement of Governmental Accounting Standards (SGAS) No. 33, more fully described below, Herriman City changed its accounting for property taxes.

SGAS No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), Herriman City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2007. Since the government-wide statements use the accrual basis of accounting, the government activities records both the receivable and the property tax revenue as deferred income of January 1, 2007, even though most of them will not be received until the following fiscal year.

Inter-fund Transactions

In the normal course of its operations, the City has various transactions between funds. Transfers are recognized as operating transfers in and out, respectively, by the funds receiving and providing the transfer.

Long-term Liabilities

Long-term liabilities that will be financed from governmental funds are accounted for in the governmental activities portion of the government-wide statements, while those of proprietary funds are accounted for in their respective funds.

Use of Restricted Funds

The City has funds with various restrictions. When an expense is incurred which meets the requirements to release the restriction, such restricted funds are first used to satisfy the expense followed by any unrestricted funds needed to satisfy the expense.

Contributions

Certain proprietary fund types receive contribution for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue. With the adoption of GASB No. 34, amounts that were contributed in prior years, and were shown as contributed capital, have been reclassified to part of beginning net assets.

Compensated Absences

The City compensates employees for unused vacation and compensation time. Sick pay is not paid to employees upon termination. Accumulated unpaid amounts are accrued when incurred in the government wide funds. The proprietary fund includes accrued vacation pay in their financial statements.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the general and capital projects funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimated amounts for contributed assets from sub-developers are considered a significant estimate and are subject to change, and the change could be material.

Inventories

Inventories of supplies for the proprietary fund consist principally of items used in repairing and maintaining the water distribution system. Inventories are valued at cost using the first-in first-out (FIFO) method.

2. COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN

Herriman City contributes to the Local Governmental Contributory Retirement Systems and the Local Governmental Noncontributory Retirement Systems administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information from the Local Governmental Contributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Herriman City is required to contribute 11.59% of the annual covered salary. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Herriman City's contributions to the Local Governmental Contributory and Noncontributory Retirement Systems for the years ended June 30, 2007, 2006, and 2005, were as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Noncontributory employer contributions			
Salary	\$ 2,268,244	\$ 1,860,803	\$ 1,133,458
Employer contributions	262,889	206,363	125,701
401(k) Plan			
Employee contributions	72,235	59,063	35,194
Employer contributions	54,635	42,919	33,689
457 Plan			
Employee contributions	11,027	10,361	7,906
Employer contributions	8,101	6,681	4,561

These contributions were equal to the required contributions for each year.

3. CAPITAL ASSETS

The following schedule summarizes the changes in capital assets for governmental and business type activities during the year ended June 30, 2007.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Land	\$ 17,961,673	\$ 29,472,666	\$ -	\$ 47,434,339
Easements	-	30,000	-	30,000
Work in process	2,644,754	4,111,032	5,808,438	947,348
Total nondepreciated assets	<u>20,606,427</u>	<u>33,613,698</u>	<u>5,808,438</u>	<u>48,411,687</u>
Depreciated assets				
Buildings	5,205,972	879,417	-	6,085,389
Improvements	6,900,924	440,108	-	7,341,032
Equipment	1,468,521	464,712	(21,479)	1,911,754
Infrastructure	41,890,180	12,026,317	-	53,916,497
Vehicles	1,414,334	242,017	(96,177)	1,560,174
Total depreciated assets	<u>56,879,931</u>	<u>14,052,571</u>	<u>(117,656)</u>	<u>70,814,846</u>
Less accumulated depreciation				
Buildings	(345,855)	(174,673)	-	(520,528)
Improvements	(770,333)	(460,108)	-	(1,230,441)
Equipment	(417,695)	(210,925)	15,908	(612,712)
Infrastructure	(3,459,462)	(1,736,699)	-	(5,196,161)
Vehicles	(373,160)	(279,565)	50,343	(602,382)
Total accumulated depreciation	<u>(5,366,505)</u>	<u>(2,861,970)</u>	<u>66,251</u>	<u>(8,162,224)</u>
Net assets depreciated	<u>51,513,426</u>	<u>11,190,601</u>	<u>(51,405)</u>	<u>62,652,622</u>
Total governmental activities	<u>72,119,853</u>	<u>44,804,299</u>	<u>5,757,033</u>	<u>111,064,309</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,457,212	-	-	1,457,212
Water rights	3,981,625	617,127	-	4,598,752
Work in process	501,188	1,985,909	-	2,487,097
Total nondepreciated assets	<u>5,940,025</u>	<u>2,603,036</u>	<u>-</u>	<u>8,543,061</u>
Depreciated assets				
Vehicles	264,390	52,640	(53,903)	263,127
Buildings	58,400	-	-	58,400
Improvements	21,752,975	3,403,600	-	25,156,575
Equipment	210,607	140,341	-	350,948
Total depreciated assets	<u>22,286,372</u>	<u>3,596,581</u>	<u>(53,903)</u>	<u>25,829,050</u>
Less accumulated depreciation				
Vehicles	(85,636)	(53,130)	35,877	(102,889)
Buildings	(1,703)	(1,461)	-	(3,164)
Improvements	(1,490,821)	(816,284)	-	(2,307,105)
Equipment	(71,628)	(52,059)	-	(123,687)
Total accumulated depreciation	<u>(1,649,788)</u>	<u>(922,934)</u>	<u>-</u>	<u>(2,536,845)</u>
Net assets depreciated	<u>20,636,584</u>	<u>2,673,647</u>	<u>(53,903)</u>	<u>23,292,205</u>
Total business-type assets	<u>26,576,609</u>	<u>5,276,683</u>	<u>(53,903)</u>	<u>31,835,266</u>
Total combined assets	<u>\$ 98,696,462</u>	<u>\$ 50,080,982</u>	<u>\$ 5,703,130</u>	<u>\$ 142,899,575</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<u>DEPRECIATION EXPENSE</u>			
FUNCTION			
General government	\$ 246,901	\$ -	\$ 246,901
Highway and streets	1,447,554	-	1,447,554
Cemetery	16,148	-	16,148
Engineering	1,572	-	
Parks	670,078	-	670,078
Public Safety	26,265	-	26,265
Flood control	453,454	-	453,454
Water	-	922,934	922,934
Totals	<u>\$ 2,861,972</u>	<u>\$ 922,934</u>	<u>\$ 3,784,906</u>

4. INTERFUND TRANSFERS

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ 100,000	\$ 1,759,000
Parks special revenue fund	400,000	185,000
Water impact fees special revenue fund	-	407,455
Debt service fund	544,000	217,324
Capital projects fund	1,000,000	100,000
Utility fund	624,779	-
	<u>\$ 2,668,779</u>	<u>\$ 2,668,779</u>

The purpose of the transfers from the general fund was to fund capital projects. The parks special revenue fund transferred funds to the debt service fund for payment of debt. The water impact fees special revenue fund transferred to the water fund for water capital improvements.

5. RELATED PARTY TRANSACTIONS

The mayor serves on the board of the South Valley Sewer District. There are no amounts due to or from this entity at year end.

6. LONG TERM DEBT

Bonds payable at June 30, 2007, are comprised of the following individual issues:

	<u>Balance 6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2007</u>	<u>Due Within One Year</u>
BONDS PAYABLE					
GOVERNMENTAL ACTIVITIES					
Sales tax series 2005 refunding bonds due in annual installments at rates of 3.9% to 4.25%. The bonds mature in June of 2009 and are secured by sales tax revenues	\$ 386,000	\$ -	\$ (169,000)	\$ 217,000	\$ 175,000
\$1,508,000 original issue building authority bond series 2001. Interest is at 4.5%. The bonds mature in 2016 and are secured by a building.	<u>1,119,000</u>	<u>-</u>	<u>(98,000)</u>	<u>1,021,000</u>	<u>92,000</u>
Total governmental long-term debt	<u>1,505,000</u>	<u>-</u>	<u>(267,000)</u>	<u>1,238,000</u>	<u>267,000</u>
BUSINESS-TYPE ACTIVITIES					
Series 2003 water revenue bonds original issue was \$3,600,000 with interest at 1.9%. The bonds are secured by water revenues and mature in 2024.	3,297,000	-	(156,000)	3,141,000	159,000
Water revenue bonds series 2005. The bonds bear interest at 4.29%, are less a bond discount of \$14,897, and are secured by water revenue. The bonds were refunded in September 2007.	5,493,000	-	-	5,493,000	5,493,000
Bond discount on 2005 bonds	(14,897)	-	2,735	(12,162)	(12,162)
Taxable water revenue bonds series 2005. Bonds bear no interest but are discounted at 3%. The bonds are less a discount of \$55,585 and are secured by water revenue and mature in December 2012.	497,000	-	(64,000)	433,000	70,000
Series Herriman bond anticipation bonds. The bonds bear interest at 5% and are secured by water revenue and were refunded in September 2007.	<u>-</u>	<u>4,889,000</u>	<u>-</u>	<u>4,889,000</u>	<u>4,889,000</u>
Total business-type long-term debt	<u>9,272,103</u>	<u>4,889,000</u>	<u>(217,265)</u>	<u>13,943,838</u>	<u>10,598,838</u>
Total bonds payable	<u>\$ 10,777,103</u>	<u>\$ 4,889,000</u>	<u>\$ (484,265)</u>	<u>\$ 15,181,838</u>	<u>\$ 10,865,838</u>
GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES					
Compensated absences	\$ 56,467	\$ 9,139	\$ -	\$ 65,606	\$ -
Capital leases	583,374	123,313	(248,975)	457,712	208,799
Land installment obligations	-	5,286,906	-	5,286,906	956,796
BUSINESS, OTHER LIABILITIES					
Compensated absences	16,038	3,591	-	19,629	-
Capital leases	118,346	46,294	(51,137)	113,503	55,230

The land installment obligation is secured by property and matures in 2011.

The annual debt requirement to maturity, including principal and interest as of June 30, 2007, for the business fund is listed in the following table:

Year Ending 30-Jun	Series 2003A Revenue Bonds			Series 2005 Water Revenue			Series 2005 Taxable Bonds		
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest
2008	1.86%	\$ 159,000	\$ 58,422	4.59%	\$ 5,493,000	\$ 63,032	0.00%	\$ 70,000	\$ 11,719
2009	1.86%	162,000	55,465	-	-	-	0.00%	71,000	9,971
2010	1.86%	165,000	52,452	-	-	-	0.00%	73,000	81,410
2011	1.86%	168,000	49,383	-	-	-	0.00%	73,000	6,195
2012	1.86%	171,000	46,258	-	-	-	-	73,000	-
2013-2017	1.86%	903,000	182,410	-	-	-	-	73,000	6,317
2018-2022	1.86%	990,000	95,251	-	-	-	-	-	-
2023-2027	1.86%	423,000	11,829	-	-	-	-	-	-
Less Discounts	-	-	-	0.30%	(12,162)	-	-	-	-
Totals		\$ 3,141,000	\$ 551,470		\$ 5,480,838	\$ 63,032		\$ 433,000	\$ 115,612

Year Ending 30-Jun	Series 2005 Water Revenue	
	Principal	Interest
2008	4,889,000	61,113
2009	-	-
2010	-	-
2011	-	-
2012	-	-
2013-2017	-	-
2018-2022	-	-
2023-2027	-	-
Totals	\$ 4,889,000	\$ 61,113

The annual debt requirement to maturity, including principal and interest as of June 30, 2007, for the governmental funds is listed in the following table:

Year Ending 30-Jun	Bond Series 2001			Sales Tax Series 2005			Installment Obligation		
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest
2008	5.35%	\$ 92,000	\$ 54,258	4.15%	\$ 175,000	\$ 9,047	5.00%	\$ 956,796	\$ 264,345
2009	5.40%	97,000	49,336	4.25%	42,000	1,785	5.00%	1,004,636	216,505
2010	5.50%	102,000	44,098	-	-	-	5.00%	1,054,888	166,273
2011	5.55%	108,000	38,488	-	-	-	5.00%	1,107,611	113,530
2012	5.15%	622,000	32,548	-	-	-	5.00%	1,104,843	58,149
2013-2017	-	-	-	-	-	-	5.00%	58,133	2,906
2018-2022	-	-	-	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-	-	-	-
Totals		\$ 1,021,000	\$ 218,728		\$ 217,000	\$ 10,832		\$ 5,286,907	\$ 821,708

7. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City's funds. Cash and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 16,714,014

Cash investments and cash equivalents as of June 30, 2007, consist of the following:

Cash on hand	\$ 130
Deposits with financial institutions	6,838,537
Investments, state treasurer	<u>9,875,347</u>
Total cash and cash equivalents	<u>\$ 16,714,014</u>

Investments Authorized by the Utah Government Code

The City follows the requirements of the Utah Money Management Act in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution in whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the type of authorized investments it makes.

Deposits in the PITF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

As of June 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1, Less Than 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer investment fund	<u>\$ 6,838,537</u>	<u>\$ 6,838,537</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	<u>\$ 6,838,537</u>	<u>\$ 6,838,537</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that occurs when changes in interest rates will adversely affect the fair value of an investment. The City policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. In accordance with that act, the remaining term to maturity of the investments above do not exceed the period of availability of these funds.

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 of June 30, 2007, the Utah Public Treasurer's investment fund was unrated.

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 policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial Credit Risk Deposits

For an investment, custodial credit risk 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 of custodial credit risk. As of June 30, 2007, \$6,237,401 of the \$6,838,537 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk Investments

For an investment, this is the risk that, in the event of the failure if the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer Investment Fund has no custodial credit risk.

8. RESERVED FUND BALANCES

The City records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amounts of all reserves used by the City:

Description	Government Activities	Business Activities	Total
Special revenue, street lights	\$ 345,464	\$ -	\$ 345,464
Special revenue, park impact fees	164,433	-	164,433
Special revenue, water rights	1,360,151	-	1,360,151
Special revenue, water impact fees	733,129	-	733,129
Special revenue, flood control	980,274	-	980,274
Special revenue, road impact fees	2,799,186	-	2,799,186
Special revenue fire impact fees	96,469	-	96,469
Special revenue public safety	117,477	-	117,477
Bond reserve funds	169,388	-	169,388

9. INTEREST EXPENSE

The proprietary fund incurred \$76,212 in interest expense of which \$76,212 was charged to expense and \$0 was capitalized.

10. RESTRICTED CASH

The City has restricted cash of \$6,628,382 for impact fees, \$169,388 for debt service in the governmental funds, \$5,764,174 for bond escrow funds, and \$1,033,134 for bond reserve funds.

11. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

The City has several subdivision projects that are in process at year end. The City has experienced rapid growth over the last few years with several subdivisions planned after year end. The City has issued new bonds in September of 2007. Some of the water revenue bond anticipant notes were refinanced with the series 2007 bonds.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, property damage, errors, omissions, injuries, and natural disasters. The City has purchased comprehensive general liability insurance and pays premiums for general insurance coverage, automobile liability, and personal injury protection.

13. TOTAL COLUMNS

Total columns on the governmental fund statements are captioned "Total" and are presented to facilitate financial analysis. Data in these columns does not represent consolidated information since interfund eliminations have not been made.

14. INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS

The City participates in the following services agreements:

- South Jordan Special Service District
- Salt Lake County Fire and Emergency Services
- Salt Lake County Law Enforcement Contract
- Salt Lake County Animal Control
- Salt Lake County Public Works
- Jordan Valley Water Conservatory District

The City does not have total or final control over the fiscal or administrative activities of these entities. Payments for services to these entities are included as expenditures of the City's general fund.

15. NON-CASH TRANSACTIONS ENTERPRISE FUND

The City obtained assets from developers who built subdivisions in the City and conveyed the property to the City. The amount of the contribution was \$2,746,150. The City special revenue impact fees contributed assets to the fund of \$1,274,578. The City obtained assets from capital leases in the amount of \$52,640.

16. OBLIGATION UNDER CAPITAL LEASE

The City acquired certain enterprise assets financed with capital leases. The leased assets and related capital lease obligations are accounted for in the enterprise fund. The lease agreements contain fiscal funds in clauses which allow cancellation of leases if future funds for the leases are not budgeted by the City Council.

Capital lease for equipment during the year ended June 30, 2007, was \$283,556. The City has an option of paying off the lease before the lease expires.

The following is a schedule of yearly future lease payments for the capital lease together with the present rate of net minimum lease payments as of June 30, 2007. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2008	\$ 60,275
June 30, 2009	13,592
June 30, 2010	13,205
June 30, 2011	12,817
June 30, 2012	12,429
Thereafter	12,043
Totals	<u>124,361</u>
Less amounts representing interest	<u>(10,858)</u>
Present value	113,503
Less current portion	<u>(55,230)</u>
Long term	<u>\$ 58,273</u>

The depreciation expense from these assets was \$12,538 in 2007. The City has acquired certain general fixed assets financed with capital leases. These leases have fiscal funding in clauses which allow the cancellation of leases if future funds for the leases are not budgeted by the City Council.

Capital lease for equipment during the year ended June 30, 2007, was \$891,936. The City has an option of paying off the leases before the leases expire.

The following is a schedule of yearly future lease payments for the capital lease together with the present value of the net minimum lease payments as of June 30, 2007.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2008	\$ 232,424
June 30, 2009	171,532
June 30, 2010	94,524
June 30, 2011	-
June 30, 2012	-
Thereafter	-
Totals	<u>498,480</u>
Less amounts representing interest	<u>(40,768)</u>
Present value	457,712
Less current portion	<u>(208,799)</u>
Long term	<u>\$ 248,913</u>

17. NEW ISSUED ACCOUNTING STANDARDS

The GASB has issued the following statements that will apply to government reporting in future years:

- GASB No. 48 Sale and Pledges of Receivables and Future Revenues
- GASB No. 49 Accounting and financial reporting for pollution remediation obligations
- GASB No. 50 Pension Disclosures
- GASB No. 51 Reporting for intangible assets

The only statement that may affect the city would be GASB 51. The impact of this statement is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

HERRIMAN CITY

Budgetary Comparison Schedule General Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts			Actual Amounts	Favorable (Unfavorable)
	Original	Changes	Final	Budgetary Basis	Variance with Final Budget
REVENUES					
General property taxes	\$ 1,305,949	\$ 194,051	\$ 1,500,000	\$ 1,506,288	\$ 6,288
Sales, use, and excise taxes	660,060	684,948	1,345,008	1,374,765	29,757
Franchise taxes	411,085	292,395	703,480	752,962	49,482
Licenses	46,180	(20)	46,160	44,708	(1,452)
Permits	4,717,920	(623,114)	4,094,806	4,203,256	108,450
Interest	122,500	220,000	342,500	227,922	(114,578)
Intergovernmental	455,484	119,178	574,662	528,601	(46,061)
Fines	150,000	190,000	340,000	183,461	(156,539)
Charges for services	276,622	35,804	312,426	451,805	139,379
Contributions	-	200	200	200	-
Grants	35,000	9,000	44,000	67,460	23,460
Sale of assets	1,851,800	(1,748,223)	103,577	103,577	-
Miscellaneous	15,794	178,346	194,140	26,655	(167,485)
Total revenues	<u>10,048,394</u>	<u>(447,435)</u>	<u>9,600,959</u>	<u>9,471,660</u>	<u>(129,299)</u>
EXPENDITURES					
Administrative	3,057,281	(1,625,775)	1,431,506	1,291,615	139,891
Facilities	201,021	40,000	241,021	240,869	152
Information technology	263,223	5,000	268,223	253,744	14,479
Highways and streets	1,172,090	(86,072)	1,086,018	1,071,654	14,364
Street lights	347,900	(100,000)	247,900	244,192	3,708
Storm drain maintenance	-	218,539	218,539	209,798	8,741
Street Signs	146,622	-	146,622	130,122	16,500
Cemetery	74,207	-	74,207	70,883	3,324
Public safety	1,699,204	(760,539)	938,665	935,418	3,247
Parks and recreation	1,840,596	(30,000)	1,810,596	1,748,549	62,047
Community affairs	-	6,166,681	6,166,681	6,100,324	66,357
Engineering	-	847,598	847,598	820,792	26,806
Fleet management	-	61,872	61,872	60,028	1,844
Community development	1,434,855	(747,598)	687,257	655,116	32,141
Total expenditures	<u>10,236,999</u>	<u>3,989,706</u>	<u>14,226,705</u>	<u>13,833,104</u>	<u>393,601</u>
Excess of revenues over (usage of fund balance)	<u>(188,605)</u>	<u>(4,437,141)</u>	<u>(4,625,746)</u>	<u>(4,361,444)</u>	<u>264,302</u>
OTHER FINANCING SOURCES					
Transfers out	(609,000)	(1,150,000)	(1,759,000)	(1,759,000)	-
Transfers in	-	100,000	-	100,000	-
Installment proceeds	-	5,286,906	-	5,286,906	-
Lease proceeds	297,605	200,000	497,605	123,313	(374,292)
Total other financing sources	<u>(311,395)</u>	<u>4,436,906</u>	<u>(1,261,395)</u>	<u>3,751,219</u>	<u>(374,292)</u>
Net change in fund balance	(500,000)	(235)	(5,887,141)	(610,225)	(109,990)
FUND BALANCE, JULY 1, 2006	<u>2,301,932</u>	-	<u>2,301,932</u>	<u>2,301,932</u>	-
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,801,932</u>	<u>\$ (235)</u>	<u>\$ (3,585,209)</u>	<u>\$ 1,691,707</u>	<u>\$ (109,990)</u>

HERRIMAN CITY

Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes		
REVENUES				
Impact fees	\$ 1,376,500	\$ (4,900)	\$ 1,371,600	\$ (625,189)
Interest	-	4,900	4,900	2,687
Contributions	-	-	-	-
Total revenues	<u>1,376,500</u>	<u>-</u>	<u>1,376,500</u>	<u>(622,502)</u>
EXPENDITURES				
Capital outlay	1,300,952	(151,952)	1,149,000	293,234
Total expenditures	<u>1,300,952</u>	<u>(151,952)</u>	<u>1,149,000</u>	<u>293,234</u>
Excess revenues over expenditures	75,548	151,952	227,500	(329,268)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	400,000	400,000	-
Transfers out	<u>(185,000)</u>	<u>-</u>	<u>(185,000)</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	(109,452)	551,952	442,500	(329,268)
FUND BALANCE, JULY 1, 2006	51,201	-	51,201	-
FUND BALANCE, JUNE 30, 2007	<u>\$ (58,251)</u>	<u>\$ 551,952</u>	<u>\$ 493,701</u>	<u>\$ (329,268)</u>

HERRIMAN CITY

Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes		
REVENUES				
Impact fees	\$ 1,657,000	\$ (105,000)	\$ 1,306,767	\$ (245,233)
Interest	-	105,000	73,912	(31,088)
Total revenues	<u>1,657,000</u>	<u>-</u>	<u>1,380,679</u>	<u>(276,321)</u>
EXPENDITURES				
Capital outlay	2,938,492	666,625	1,445,996	2,159,121
Total expenditures	<u>2,938,492</u>	<u>666,625</u>	<u>1,445,996</u>	<u>2,159,121</u>
Excess revenues over expenditures	(1,281,492)	(666,625)	(65,317)	1,882,800
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	(1,281,492)	(666,625)	(65,317)	1,882,800
FUND BALANCE, JULY 1, 2006	<u>1,045,591</u>	<u>-</u>	<u>1,045,591</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ (235,901)</u>	<u>\$ (666,625)</u>	<u>\$ 980,274</u>	<u>\$ 1,882,800</u>

HERRIMAN CITY

Budgetary Comparison Schedule Road Special Revenue Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes		
REVENUES				
Interest	\$ -	\$ 54,000	\$ 80,709	\$ 26,709
Impact fees	1,566,000	(54,000)	1,008,485	(503,515)
Total revenues	1,566,000	-	1,089,194	(476,806)
Expenditures				
Capital outlay	4,147,149	(391,149)	835,859	2,920,141
Total expenditures	4,147,149	(391,149)	835,859	2,920,141
Excess of revenues over expenditures	(2,581,149)	391,149	253,335	2,443,335
OTHER FINANCES SOURCES (USES)				
Transfers out	-	-	-	-
Net change in fund balance	(2,581,149)	391,149	253,335	2,443,335
FUND BALANCE, JULY 1, 2006	293,498	-	2,545,851	(2,252,353)
FUND BALANCE, JUNE 30, 2007	\$ (2,287,651)	\$ 391,149	\$ 2,799,186	\$ 190,982

HERRIMAN CITY

Budgetary Comparison Schedule Water Rights Special Revenue Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes		
REVENUES				
Impact fees	\$ 1,639,000	\$ (55,000)	\$ 845,426	\$ (738,574)
Interest	-	55,000	73,071	18,071
Total revenues	<u>1,639,000</u>	<u>-</u>	<u>918,497</u>	<u>(720,503)</u>
EXPENDITURES				
Capital outlay	2,927,856	(965,856)	860,337	1,101,663
Total expenditures	<u>2,927,856</u>	<u>(965,856)</u>	<u>860,337</u>	<u>1,101,663</u>
Excess revenues over expenditures	(1,288,856)	965,856	58,160	381,160
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	(1,288,856)	965,856	58,160	381,160
FUND BALANCE, JULY 1, 2006	1,301,991	-	1,301,991	-
FUND BALANCE, JUNE 30, 2007	<u>\$ 13,135</u>	<u>\$ 965,856</u>	<u>\$ 1,360,151</u>	<u>\$ 381,160</u>

HERRIMAN CITY

Budgetary Comparison Schedule Public Safety Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes		
REVENUES				
Impact fees	\$ 1,290,000	\$ -	\$ 1,290,000	\$ 35,493
Interest	-	-	-	-
Total revenues	1,290,000	-	1,290,000	35,493
EXPENDITURES				
Public Safety	1,290,000	(29,350)	1,260,650	52,634
Total expenditures	1,290,000	(29,350)	1,260,650	52,634
Excess of revenues over expenditures (usage of fund balance)	-	29,350	117,477	88,127
OTHER FINANCES SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	29,350	117,477	88,127
FUND BALANCE, JULY 1, 2006	-	-	-	-
FUND BALANCE, JUNE 30, 2007	\$ -	\$ 29,350	\$ 117,477	\$ 88,127

SUPPLEMENTARY INFORMATION

HERRIMAN CITY

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Capital Improvements	Special Revenue Street Lights	Special Revenue Water Impact	Debt Service	Special Revenue Fire Impact	Totals
ASSETS						
Cash, unrestricted	\$ 501,040	\$ -	\$ -	\$ 471,845	\$ -	\$ 972,885
Cash, restricted	-	345,464	733,129	169,388	96,469	1,344,450
Total assets	\$ 501,040	\$ 345,464	\$ 733,129	\$ 641,233	\$ 96,469	\$ 2,317,335
LIABILITIES						
Accounts payable	\$ 29,471	\$ -	\$ -	\$ -	\$ -	\$ 29,471
Fund balances						
Unrestricted	471,569	-	-	471,845	-	943,414
Restricted bond sinking fund	-	-	-	169,388	-	169,388
Restricted	-	345,464	733,129	-	96,469	1,175,062
Total fund balance	471,569	345,464	733,129	641,233	96,469	2,287,864
Total liabilities and fund balance	\$ 501,040	\$ 345,464	\$ 733,129	\$ 641,233	\$ 96,469	\$ 2,317,335

HERRIMAN CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Fiscal Year Ended June 30, 2007

	Capital Improvements	Special Revenue Street Lights	Special Revenue Water Impact Fees	Debt Service	Special Revenue Fire Impact	Totals
REVENUES						
Impact fees	\$ -	\$ 417,055	\$ 596,156	\$ -	\$ -	\$ 1,013,211
Interest	-	-	45,171	18,137	96,469	159,777
Charges for services	-	-	-	-	-	-
Total revenues	-	417,055	641,327	18,137	96,469	1,172,988
EXPENDITURES						
Capital outlay	581,290	120,441	622,373	-	-	1,324,104
Public Safety	-	-	-	-	-	-
Debt service	-	-	-	267,000	-	267,000
Principal	-	-	-	69,570	-	69,570
Interest	-	-	-	336,570	-	1,660,674
Total expenditures	581,290	120,441	622,373	336,570	-	1,660,674
Revenues over (under) expenditures	(581,290)	296,614	18,954	(318,433)	96,469	(487,686)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	1,000,000	-	-	544,000	-	1,544,000
Operating transfers out	(100,000)	-	(407,455)	(217,324)	-	(724,779)
Total other financing sources (uses)	900,000	-	(407,455)	326,676	-	819,221
Revenues and other sources over expenditures and other uses	318,710	296,614	(388,501)	8,243	96,469	331,535
FUND BALANCE, JULY 1, 2006	152,859	48,850	1,121,630	632,990	-	1,956,329
FUND BALANCE, JUNE 30, 2007	\$ 471,569	\$ 345,464	\$ 733,129	\$ 641,233	\$ 96,469	\$ 2,287,864

HERRIMAN CITY

Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Permits	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Capital outlay	2,500,000	2,500,000	581,290	1,918,710
Total expenditures	2,500,000	2,500,000	581,290	1,918,710
Excess of revenues over expenditures (usage of fund balance)	(2,500,000)	(2,500,000)	(581,290)	1,918,710
OTHER FINANCES SOURCES (USES)				
Transfers out	-	-	(100,000)	(100,000)
Transfers in	250,000	250,000	1,000,000	750,000
Total other financing sources	250,000	250,000	900,000	650,000
Net change in fund balance	(2,250,000)	(2,250,000)	318,710	2,568,710
FUND BALANCE, JULY 1, 2006	152,859	152,859	152,859	-
FUND BALANCE, JUNE 30, 2007	\$ (2,097,141)	\$ (2,097,141)	\$ 471,569	\$ 2,568,710

HERRIMAN CITY

Budgetary Comparison Schedule Water Impact Fees Special Revenue Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts		Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final	Budgetary Basis	
REVENUES					
Impact fees	\$ 1,294,500	\$ (34,500)	\$ 1,260,000	\$ 596,156	\$ (663,844)
Interest	-	34,500	34,500	45,171	10,671
Total revenues	<u>1,294,500</u>	<u>-</u>	<u>1,294,500</u>	<u>641,327</u>	<u>(653,173)</u>
EXPENDITURES					
Capital outlay	2,519,198	(77,243)	2,441,955	622,373	1,819,582
Total expenditures	<u>2,519,198</u>	<u>(77,243)</u>	<u>2,441,955</u>	<u>622,373</u>	<u>1,819,582</u>
Excess revenues over expenditures	(1,224,698)	77,243	(1,147,455)	18,954	1,166,409
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(407,455)	407,455
Revenue and other sources over (under) expenditures and other uses	(1,224,698)	77,243	(1,147,455)	(388,501)	1,573,864
FUND BALANCE, JULY 1, 2006	1,121,630	-	1,121,630	1,121,631	(1)
FUND BALANCE, JUNE 30, 2007	<u>\$ (103,068)</u>	<u>\$ 77,243</u>	<u>\$ (25,825)</u>	<u>\$ 733,130</u>	<u>\$ 1,573,863</u>

HERRIMAN CITY

Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes		
REVENUES				
Interest	\$ -	\$ -	\$ 18,137	\$ 18,137
Total revenues	-	-	18,137	18,137
EXPENDITURES				
Debt service				
Principal	267,000	-	267,000	-
Interest	277,000	-	69,570	207,430
Total expenditures	544,000	-	336,570	207,430
Excess revenues over expenditures	(544,000)	-	(318,433)	225,567
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(217,324)	(217,324)
Transfers in	544,000	-	544,000	-
Revenue and other sources over (under) expenditures and other uses	-	-	8,243	8,243
FUND BALANCE, JULY 1, 2006	1,315,962	-	632,990	(682,972)
FUND BALANCE, JUNE 30, 2007	\$ 1,315,962	\$ -	\$ 641,233	\$ (674,729)

HERRIMAN CITY

Budgetary Comparison Schedule Fire Impact Fees Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes		
REVENUES				
Impact fees	\$ -	\$ 96,469	\$ 96,469	\$ -
Interest	-	-	-	-
Total revenues	-	96,469	96,469	-
EXPENDITURES				
Public Safety	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	-	96,469	96,469	-
OTHER FINANCES SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	-	96,469	96,469	-
FUND BALANCE, JULY 1, 2006	-	-	-	-
FUND BALANCE, JUNE 30, 2007	\$ -	\$ 96,469	\$ 96,469	\$ -

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

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

The Honorable Mayor and City Council
Herriman, Utah

December 6, 2007

We have audited the basic financial statements of Herriman City, Utah, for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. Our audit included test work on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Impact Fees
Cash Management	Other Compliance Requirements
Purchasing Requirements	C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation and Property Tax Limitations	

The City did not receive any major or nonmajor state grants during the year ended June 30, 2007. The management of Herriman City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

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

In our opinion, Herriman City complied, in all material respects, with the general compliance requirements identified above for the years ended June 30, 2007.



GILBERT & STEWART
Certified Public Accountants

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

HEBER OFFICE
45 SOUTH MAIN ST.
HEBER, UTAH 84032
(435) 654-6477
FAX (801) 373-5622

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA
LYNN A. GILBERT, CPA
JAMES A. GILBERT, CPA
BEN H. PROBST, CPA
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA
JAMES E. STEWART, CPA
ROBERT PHELPS, CPA

INDEPENDENT AUDITOR'S 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*

The Honorable Mayor and City Council
Herriman City, Utah

December 6, 2007

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Herriman City for the year ended June 30, 2007, and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Herriman City, for the year ended June 30, 2007, we obtained an understanding of the internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal controls over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We found no deficiencies to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

PROVO OFFICE
190 WEST 800 NORTH #100
PROVO, UT 84601
(801) 377-5300
FAX (801) 373-5622

AMERICAN FORK OFFICE
85 NORTH CENTER STREET
AMERICAN FORK, UT 84003
(801) 756-9666
FAX (801) 756-9667

HEBER OFFICE
45 SOUTH MAIN ST.
HEBER, UTAH 84032
(435) 654-6477
FAX (801) 373-5622

Compliance and Other Matters

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

This report is intended solely for the information and use of the management, Agency Board, and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants

Herriman City

Schedule of Impact Fees

Fiscal Year Ended June 30, 2007

Herriman City collects storm drain, park, road, recreation, street light, and public safety impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Parks	Storm Drain	Roads	Water Rights	Water Impact	Street Lights
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2002	-	-	-	-	-	-
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	1,790,701	514,725	136,973	-
2007	164,433	980,274	1,008,485	845,426	596,156	345,464
Total	\$ 164,433	\$ 980,274	\$ 2,799,186	\$ 1,360,151	\$ 733,129	\$ 345,464

The following capital projects are planned to use the impact fees shown above:

For the Year Ended June 30 of the Following:	Capital Project Planned	Projected Cost	Estimated Starting Date
PARK IMPACT FEES			
2008	Quad baseball complex	2,000,000	8/1/2007
	Trail Improvements	500,000	1/1/2008
2009	Pool/indoor event arena	6,000,000	11/1/2008
STORM DRAIN IMPACT			
2008	Main Street Beautification	100,000	9/1/2007
	Herriman Parkway	100,000	4/1/2008
2009	Main Street Beautification	100,000	7/1/2008
	Rose Creek Detention Basin	150,000	9/1/2008
	Storm Water Utility Study	100,000	12/1/2008
	5600 West	500,000	7/1/2008
	Mountain View Frontage Rd.	1,500,000	10/1/2008
ROAD IMPACT FEES			
2008	Herriman Parkway project	3,200,000	7/1/2007
2009	Main Street Beautification	3,500,000	7/1/2008
	5600 West (12600 S to 13200 S)	2,000,000	7/1/2008
	Mountain View Corridor Rd.	8,000,000	10/1/2008
WATER RIGHTS			
2008	Purchase ground water rights	1,000,000	7/1/2007
	Purchase canal share/secondary water	500,000	12/1/2007
2009	Purchase ground water rights	1,000,000	7/1/2008
	Purchase canal share/secondary water	500,000	12/1/2008
WATER IMPACT FEES			
2008	Three million gallon tank	1,500,000	12/1/2007
	Transmission line	1,000,000	3/1/2008
	Main Street 8" Water Line	500,000	12/1/2007
	Secondary Water Back Bone	1,000,000	5/1/2008
2009	Two million gallon tank - Zone 2	1,500,000	6/10/2009
2010	Five million gallon tank	3,600,000	9/1/2009
STREET LIGHT FEES			
2008	Expenditures	250,000	7/1/2007
2009	Expenditures	350,000	7/1/2008