



**HERRIMAN CITY**

**Annual Financial Report  
Fiscal Year Ended June 30, 2008  
(With Auditor's Report Therein)**

# HERRIMAN CITY

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# 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

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
Herriman City, Utah

December 15, 2008

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 as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Herriman 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 Herriman City as of June 30, 2008, 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 15, 2008, on our consideration of 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 important for assessing 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.

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**PROVO OFFICE**  
190 WEST 800 NORTH #100  
PROVO, UT 84601  
(801) 377-6300  
FAX (801) 373-5622

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

**HEBER OFFICE**  
46 SOUTH MAIN ST.  
HEBER, UTAH 84032  
(435) 854-8477  
FAX (801) 373-5822

WWW.GILBERTANDSTEWART.COM

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2008

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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, 2008. 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 \$144,637,804 (net assets). Of this amount, \$6,665,558 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$6,539,967.

The City's governmental funds reported a combined ending fund balance of \$115,531,646. Of the combined total fund balance, \$1,277,528 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, 2008, totaled \$848,728 and is 13% of the general fund total revenues for the year. Total debt for Herriman City decreased approximately \$2,668,181. The City issued Herriman City bonds series 2007 for \$9,780,000. The City purchased land on the installment basis. The installment obligation at year end was \$4,387,853.

### 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 is the water utility.

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 three major government funds. Of this number, information is shown separately for the general fund, the capital projects fund, and the Herriman Parkway 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**

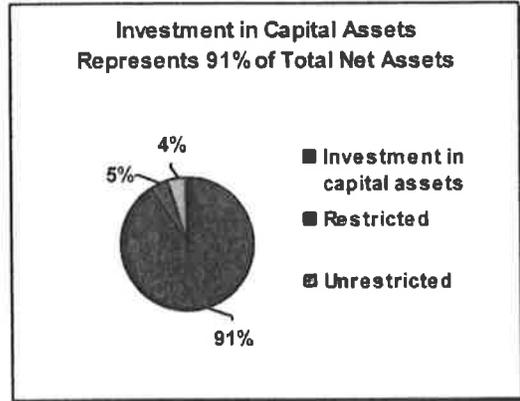
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Herriman City Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 7,410,619	\$ 8,729,733	\$ 6,998,173	\$ 8,299,000	\$ 14,408,792	\$ 17,028,733
Non-current assets	110,308	169,388	488,056	1,033,134	598,364	1,202,522
Capital assets	114,190,972	111,064,309	35,400,075	31,835,266	149,591,047	142,899,575
Other assets	-	18,359	267,492	110,580	267,492	128,939
Total assets	<u>121,711,899</u>	<u>119,981,789</u>	<u>43,153,796</u>	<u>41,277,980</u>	<u>164,865,695</u>	<u>161,259,769</u>
Current liabilities	2,173,471	2,383,513	978,038	11,075,032	3,151,509	13,458,545
Non-current liabilities	4,006,782	6,280,486	13,069,600	3,422,902	17,076,382	9,703,388
Total liabilities	<u>6,180,253</u>	<u>8,663,999</u>	<u>14,047,638</u>	<u>14,497,934</u>	<u>20,227,891</u>	<u>23,161,933</u>
Net assets						
Investment in capital assets, net of related debt	109,077,359	103,410,726	22,226,413	23,501,305	131,303,772	126,912,031
Restricted	5,176,759	5,179,437	1,759,207	3,126,414	6,935,966	8,305,851
Unrestricted	1,277,528	2,727,627	5,120,538	152,327	6,398,066	2,879,954
Total net assets	<u>115,531,646</u>	<u>111,317,790</u>	<u>29,106,158</u>	<u>26,780,046</u>	<u>144,637,804</u>	<u>138,097,836</u>
Total liabilities and net assets	<u>\$ 121,711,899</u>	<u>\$ 119,981,789</u>	<u>\$ 43,153,796</u>	<u>\$ 41,277,980</u>	<u>\$ 164,865,695</u>	<u>\$ 161,259,769</u>

By far, the largest component of Herriman City's net assets is its investment in capital assets. The 91% 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.



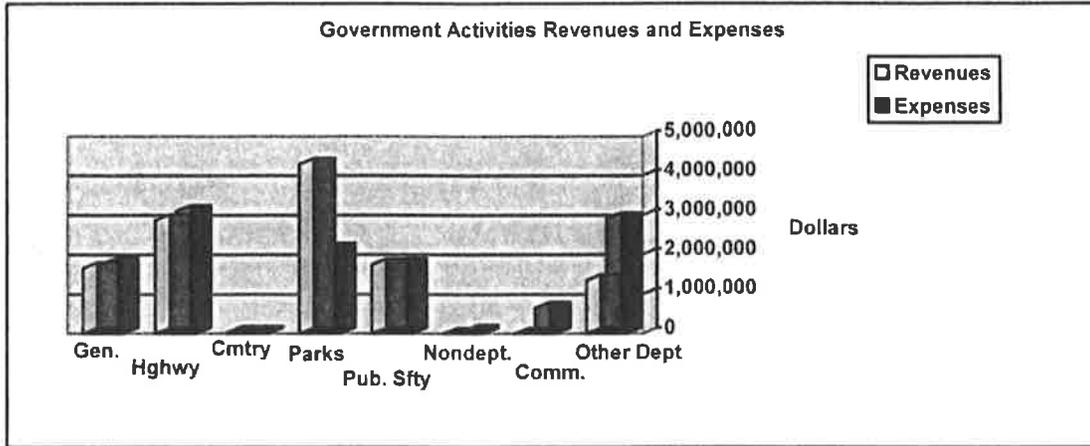
An additional part of net assets (5%) are assets that are subject to external restrictions on how they may be expended. The remaining 4% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

Herriman City's Changes in Net Assets

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
<b>REVENUES</b>				
Charges for services	\$ 8,312,823	\$ 7,284,000	\$ 4,054,811	\$ 3,716,026
Operating grants and contributions	656,474	572,601	-	-
Capital grants and contributions	2,974,561	31,613,345	2,015,414	3,907,724
General revenues:				
Property taxes, levied for general purposes	265,030	1,506,288	-	-
Franchise taxes	885,282	752,962	-	-
Sales taxes	1,742,166	1,374,765	-	-
Gain (loss) from sale of assets	1,437,837	10,821	(5,432)	-
Other revenues	63,755	15,989	-	543
Investment earnings	368,206	390,130	333,782	231,704
Total revenues	<u>16,706,134</u>	<u>43,520,901</u>	<u>6,398,575</u>	<u>7,855,997</u>
<b>EXPENSES</b>				
General government	1,785,857	1,268,514	-	-
Facilities	236,949	581,036	-	-
Information technology	385,870	163,366	-	-
Highway and streets	3,099,121	1,198,351	-	-
Storm drain	783,969	249,546	-	-
Cemetery	43,378	69,808	-	-
Parks	2,142,578	1,854,492	-	-
Public safety	1,764,437	2,192,843	-	-
Nondepartmental	79,227	955,254	-	-
Community development	655,328	349,138	-	-
Community affairs	439,289	-	-	-
Street lights	246,499	-	-	-
Street signs	58,995	-	-	-
Engineering	441,022	-	-	-
Interest on long-term debt	323,110	56,325	-	-
Water	-	-	4,079,113	2,928,964
Total expenses	<u>12,485,629</u>	<u>8,938,673</u>	<u>4,079,113</u>	<u>2,928,964</u>
<b>OTHER SOURCES</b>				
Transfers in	-	-	6,649	1,456,052
Transfers out	(6,649)	(1,899,357)	-	-
Total other sources	<u>(6,649)</u>	<u>(1,899,357)</u>	<u>6,649</u>	<u>1,456,052</u>
CHANGES IN NET ASSETS	4,213,856	32,682,871	2,326,111	6,383,085
NET ASSETS, JULY 1, 2007	<u>111,317,790</u>	<u>78,634,919</u>	<u>26,780,047</u>	<u>20,396,962</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 115,531,646</u>	<u>\$ 111,317,790</u>	<u>\$ 29,106,158</u>	<u>\$ 26,780,047</u>

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Governmental activities' net assets increased by \$4,213,856 for the year ended June 30, 2008. 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.

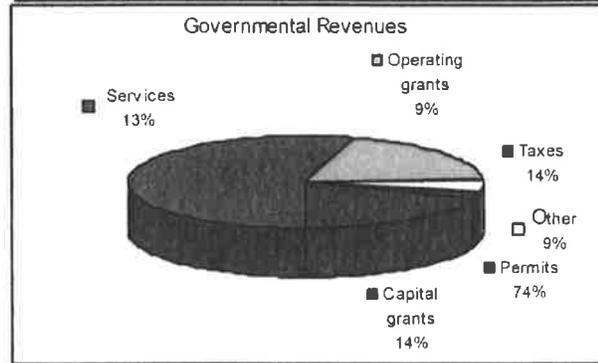
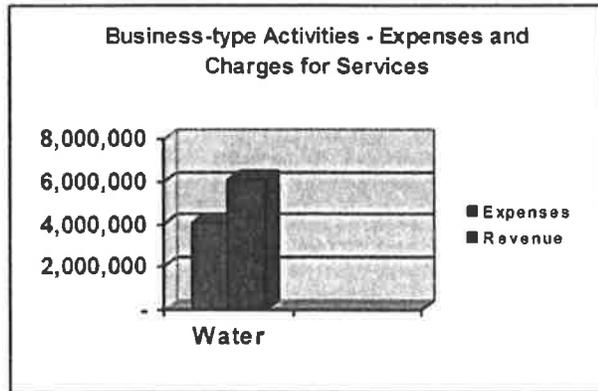


Business-type activities contributed an amount of \$3,974,063 or 10% of the total increase to net assets. The most significant reason for this increase in business-type activities is a capital contribution from developers.

**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, 2008.

For the period ended June 30, 2008, the City's governmental funds reported combined net assets in the amount of \$6,534,417 with a decrease of \$773,394, compared with the prior fiscal year. Of the total balance at year-end, \$1,391,531 is unreserved and undesignated. Of the remaining \$5,142,886 of combined net assets, \$132,332 is reserved for servicing the City's debt, with the remaining \$5,010,554 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2008, the general fund's unreserved fund balance was \$848,728, while total fund balance equaled \$848,728. The total fund balance of the general fund for Herriman City decreased by \$842,979. 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 Herriman Parkway special revenue fund balance increased \$1,885,189. The fund balance in the capital improvement fund decreased by \$130,910.

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 \$5,120,538. 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 decrease in appropriations of \$2,900,858. Most of the decrease was a result of decreasing expenses as a result of the lower revenues from building permits.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Herriman City's investment in capital assets for its governmental and business type activities has a combined total of \$149,591,047 (net of \$15,005,371 accumulated depreciation) at June 30, 2008. 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 \$5,115,018. The City's investment in net capital assets equals nearly 90% of total assets. Governmental activities net capital assets to governmental activities assets equaled 76% while business-type activities percentage was 24%.

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

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land	\$ 46,851,643	\$ 47,434,339	\$ 1,457,212	\$ 1,457,212
Easements	1,610,602	30,000	-	-
Infrastructure	56,795,773	53,916,497	-	-
Buildings	6,238,620	6,085,389	58,400	58,400
Water rights	-	-	5,286,282	4,598,752
Improvements, other than buildings	8,921,650	7,341,032	27,407,762	25,156,575
Vehicles	2,090,286	1,560,174	296,522	263,127
Office furniture and equipment	2,033,528	1,911,754	433,120	350,948
Construction in progress	1,097,457	947,348	4,017,561	2,487,097
Accumulated depreciation	(11,448,587)	(8,162,224)	(3,556,784)	(2,536,845)
Net book value	\$ 114,190,972	\$ 111,064,309	\$ 35,400,075	\$ 31,835,266

At June 30, 2008, Herriman City's total bond amounted to \$13,125,000 incurred by the City's business-type activities. All 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 City also incurred an installment obligation of \$5,286,906 with a current balance of \$4,387,853.

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	
	2008	2007	2008	2007	2008	2007
Revenue bonds	\$ -	\$ 1,238,000	\$ 13,125,000	\$ 13,943,838	\$ 13,125,000	\$ 15,181,838
Installment obligation	4,387,853	5,286,906	-	-	4,387,853	5,286,906
Capital leases	725,760	457,712	133,165	113,503	858,925	571,215
Total	<u>\$ 5,113,613</u>	<u>\$ 6,982,618</u>	<u>\$ 13,258,165</u>	<u>\$ 14,057,341</u>	<u>\$ 18,371,778</u>	<u>\$ 21,039,959</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As of July 2008, the state unemployment rate was 5.2%, up from 2.7% the previous year. This is consistent with the nationwide increase in unemployment rates as the economy continues to fall. Currently, Herriman City is experiencing a similar economic slowdown consistent with the rest of the nation.

In the previous years the City 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 2007 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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Restricted	\$ 5,066,858	\$ 6,153,455	\$ 11,220,313
Unrestricted	1,126,578	449,096	1,575,674
Receivables			
Property, and franchise and excise taxes	874,507	-	874,507
Other receivables, less allowance for doubtful accounts of \$0	173,554	-	173,554
Internal balances	166,000	(166,000)	-
Receivables	-	-	-
Accounts, less allowance for doubtful accounts of \$0	-	325,328	325,328
Prepaid expenses	3,122	-	3,122
Inventory	-	236,294	236,294
Total current assets	<u>7,410,619</u>	<u>6,998,173</u>	<u>14,408,792</u>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	<u>110,308</u>	<u>488,056</u>	<u>598,364</u>
Property and equipment, at cost			
Land and water rights	46,851,643	6,743,493	53,595,136
Easements	1,610,602	-	1,610,602
Infrastructure	837,937	-	837,937
Buildings	5,526,256	53,777	5,580,033
Improvements, other than buildings	55,927,607	24,204,209	80,131,816
Vehicles	1,147,397	147,439	1,294,836
Office furniture and equipment	1,192,074	233,596	1,425,670
Construction in progress	1,097,456	4,017,561	5,115,017
Net property and equipment	<u>114,190,972</u>	<u>35,400,075</u>	<u>149,591,047</u>
Other non-current assets			
Bond issue costs, less accumulated amortization of \$22,307	-	267,492	267,492
Total other noncurrent assets	<u>-</u>	<u>267,492</u>	<u>267,492</u>
Total assets	<u>\$ 121,711,899</u>	<u>\$ 43,153,796</u>	<u>\$ 164,865,695</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets, Continued June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 278,658	\$ 315,205	\$ 593,863
Current portion of long-term debt payable from restricted assets	-	353,000	353,000
Current portion of capital leases	359,242	38,946	398,188
Current portion installment obligation	1,004,636	-	1,004,636
Accrued liabilities	172,365	21,171	193,536
Deferred revenue	358,570	-	358,570
Accrued interest, payable from restricted assets	-	249,716	249,716
Total current liabilities	<u>2,173,471</u>	<u>978,038</u>	<u>3,151,509</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term compensation liability	80,132	20,392	100,524
Bonds payable from restricted sources	-	12,974,989	12,974,989
Capital leases	366,518	74,219	440,737
Installment obligations	3,383,217	-	3,383,217
Construction bonds	176,915	-	176,915
Total noncurrent liabilities	<u>4,006,782</u>	<u>13,069,600</u>	<u>17,076,382</u>
Total liabilities	<u>6,180,253</u>	<u>14,047,638</u>	<u>20,227,891</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	109,077,359	21,958,921	131,036,280
Restricted for:			
Capital projects	5,066,451	1,271,151	6,337,602
Other restricted	110,308	488,056	598,364
Unrestricted	1,277,528	5,388,030	6,665,558
Total net assets	<u>115,531,646</u>	<u>29,106,158</u>	<u>144,637,804</u>
Total liabilities and net assets	<u>\$ 121,711,899</u>	<u>\$ 43,153,796</u>	<u>\$ 164,865,695</u>

The accompanying notes are an integral part of this statement.

**HERRIMAN CITY**

**Statement of Activities  
Fiscal Year Ended June 30, 2008**

Functions and Programs	Program Revenues				Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Government Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Government activities							
General government	\$ 1,785,857	\$ 1,629,746	\$ 23,551	\$ -	\$ (132,560)	\$ -	\$ (132,560)
Facilities	236,949	-	-	-	(236,948)	-	(236,948)
Information technology	385,870	-	-	-	(385,870)	-	(385,870)
Highway and streets	3,099,121	451,054	624,562	1,790,529	(232,976)	-	(232,976)
Storm Drain	783,969	362,241	-	982,282	560,554	-	560,554
Cemetery	43,378	34,036	-	-	(9,342)	-	(9,342)
Public safety	1,764,437	1,740,282	8,381	-	(15,794)	-	(15,794)
Parks	2,142,578	4,095,464	-	201,750	2,154,636	-	2,154,636
Non-departmental	79,227	-	-	-	(79,227)	-	(79,227)
Community development	655,328	-	-	-	(655,328)	-	(655,328)
Community affairs	439,289	-	-	-	(439,289)	-	(439,289)
Street lights	246,499	-	-	-	(246,499)	-	(246,499)
Street signs	58,995	-	-	-	(58,995)	-	(58,995)
Engineering	441,022	-	-	-	(441,022)	-	(441,022)
Interest on long-term debt	323,110	-	-	-	(323,110)	-	(323,110)
Total government activities	12,495,629	8,312,823	656,474	2,974,561	(541,771)	-	(541,771)
Business-type activities							
Water and sewer	4,079,113	4,054,811	-	2,015,414	-	1,991,112	1,991,112
Total business-type activities	4,079,113	4,054,811	-	2,015,414	-	1,991,112	1,991,112
<b>Total primary government</b>	<b>\$ 16,564,742</b>	<b>\$ 12,367,634</b>	<b>\$ 656,474</b>	<b>\$ 4,989,975</b>	<b>(541,771)</b>	<b>1,991,112</b>	<b>1,448,341</b>
General revenues							
Taxes							
Property taxes, levied for general purposes					265,030	-	265,030
Franchise taxes					885,282	-	885,282
Sales taxes					1,742,166	-	1,742,166
Sale of assets					1,437,837	(5,432)	1,432,405
Other revenues					63,755	-	63,755
Transfers					(6,849)	6,649	-
Investment earnings					368,206	333,782	701,988
Total general revenues, special items, and transfers					4,755,627	334,989	5,090,626
Changes in net assets					4,213,656	2,326,111	6,539,967
Net assets, July 1, 2007					111,317,790	26,780,047	138,097,837
Net assets, June 30, 2008					\$ 115,531,646	\$ 29,106,158	\$ 144,637,804

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Balance Sheet Governmental Funds June 30, 2008

	General	Capital Improvements	Herriman Parkway	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
<b>ASSETS</b>					
Cash and cash equivalents	\$ 561,594	\$ 362,839	\$ -	\$ 202,145	\$ 1,126,578
Receivables					-
Property, franchise, and excise tax	874,507	-	-	-	874,507
Other receivables, less allowance for doubtful loans of \$0	173,553	-	-	-	173,553
Due from other funds	166,000	-	-	-	166,000
Prepaid expenses	3,122	-	-	-	3,122
Restricted Cash and cash equivalents	-	-	1,885,189	3,291,976	5,177,165
Total assets	<u>\$ 1,778,776</u>	<u>\$ 362,839</u>	<u>\$ 1,885,189</u>	<u>\$ 3,494,121</u>	<u>\$ 7,520,925</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 224,127	\$ 22,181	\$ -	\$ 32,350	\$ 278,658
Accrued liabilities	170,436	-	-	1,929	172,365
Construction bonds	176,915	-	-	-	176,915
Deferred revenue	358,570	-	-	-	358,570
Total liabilities	<u>930,048</u>	<u>22,181</u>	<u>-</u>	<u>34,279</u>	<u>986,508</u>
<b>FUND BALANCES</b>					
Unreserved	848,728	340,658	-	202,145	1,391,531
Reserved for:					-
Bond sinking funds	-	-	-	132,332	132,332
Other purposes	-	-	1,885,189	3,125,365	5,010,554
Total fund balances	<u>848,728</u>	<u>340,658</u>	<u>1,885,189</u>	<u>3,459,842</u>	<u>6,534,417</u>
Total liabilities and fund balances	<u>\$ 1,778,776</u>	<u>\$ 362,839</u>	<u>\$ 1,885,189</u>	<u>\$ 3,494,121</u>	<u>\$ 7,520,925</u>

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, 2008

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Total Fund Balance		\$ 6,534,417
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	\$ 46,851,645	
Infrastructure	927,113	
Easements	1,610,602	
Buildings	6,238,621	
Improvements, other than buildings	64,790,309	
Office equipment	2,033,528	
Construction in progress	1,097,456	
Vehicles	2,090,287	
Less accumulated depreciation	<u>(11,448,587)</u>	
Total capital assets		114,190,974
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	(80,132)	
Installment obligations	(4,387,853)	
Capital leases	<u>(725,760)</u>	
Total liabilities		<u>(5,193,745)</u>
Total net assets of governmental activities		<u>\$ 115,531,646</u>

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, 2008

	General	Capital Projects	Herriman Parkway	Other Governmental Funds	Totals
<b>REVENUES</b>					
General property taxes	\$ 265,030	\$ -	\$ -	\$ -	\$ 265,030
Sales, use, and excise taxes	1,742,167	-	-	-	1,742,167
Franchise taxes	885,281	-	-	-	885,281
Licenses	316,485	-	-	-	316,485
Permits	1,242,385	-	-	-	1,242,385
Interest	210,745	-	5,750	188,166	404,661
Intergovernmental	632,923	-	3,460,041	-	4,092,964
Fines	152,604	-	-	-	152,604
Impact fees	-	299,912	-	2,490,798	2,790,710
Charges for services	526,701	-	-	6,868	533,569
Contributions	75	-	-	-	75
Grants	23,476	-	-	-	23,476
Sale of assets	203,650	2,912,754	-	-	3,116,404
Miscellaneous	81,578	6,113	-	-	87,691
Total revenues	<u>6,283,100</u>	<u>3,218,779</u>	<u>3,465,791</u>	<u>2,685,832</u>	<u>15,653,502</u>
<b>EXPENDITURES</b>					
Current					
Administration	1,449,588	-	-	-	1,449,588
Facilities	262,567	-	-	-	262,567
Information technology	466,194	-	-	-	466,194
Highway and streets	1,173,894	-	-	-	1,173,894
Street lights	390,958	-	-	-	390,958
Storm drain maintenance	267,048	-	-	-	267,048
Street signs	64,042	-	-	-	64,042
Cemetery	35,627	-	-	-	35,627
Public safety	313,876	-	-	1,491,368	1,805,244
Parks and recreations	1,295,303	-	-	-	1,295,303
Community affairs	519,043	-	-	-	519,043
Engineering	526,486	-	-	-	526,486
Fleet management	82,460	-	-	-	82,460
Community development	811,058	-	-	-	811,058
Capital outlay	-	2,019,833	1,580,602	3,056,891	6,657,326
Principal	-	-	-	1,240,500	1,240,500
Interest and other fiscal charges	-	-	-	42,413	42,413
Total expenditures	<u>7,658,144</u>	<u>2,019,833</u>	<u>1,580,602</u>	<u>5,831,172</u>	<u>17,089,751</u>
Revenues over (under) expenditures	<u>(1,375,044)</u>	<u>1,198,946</u>	<u>1,885,189</u>	<u>(3,145,340)</u>	<u>(1,436,249)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Lease proceeds	669,504	-	-	-	669,504
Operating transfers in	-	-	-	1,717,004	1,717,004
Operating transfers out	(137,439)	(1,329,856)	-	(256,358)	(1,723,653)
Total other financing	<u>532,065</u>	<u>(1,329,856)</u>	<u>-</u>	<u>1,460,646</u>	<u>662,855</u>
Revenue and other sources over (under) expenditures and other uses	<u>(842,979)</u>	<u>(130,910)</u>	<u>1,885,189</u>	<u>(1,684,694)</u>	<u>(773,394)</u>
FUND BALANCE, JULY 1, 2007	<u>1,691,707</u>	<u>471,568</u>	<u>-</u>	<u>1,554,734</u>	<u>3,718,009</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 848,728</u>	<u>\$ 340,658</u>	<u>\$ 1,885,189</u>	<u>\$ (129,960)</u>	<u>\$ 2,944,615</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, 2008

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (773,394)
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 (\$5,389,860) is more than depreciation expense (\$3,447,146).	1,942,714
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	2,659,378
Loan and lease proceeds are recorded as income in the fund statement and as a liability in the government wide statement.	(662,954)
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	\$ (14,526)
Accrued interest	<u>24,467</u>
	9,941
Contributions from the developer from assets contributed to the City are financial resources not reported as revenues in the funds.	2,674,648
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.	(1,618,118)
Bond costs are an expenditure in the governmental funds and are capitalized and amortized in the government wide statement.	<u>(18,359)</u>
Change in net assets of governmental activities	<u><u>\$ 4,213,856</u></u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets Proprietary Funds June 30, 2008

	<u>Business-type Activities Water/Sewer</u>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	
Restricted	\$ 6,153,455
Unrestricted	449,096
Receivables	
Accounts, less allowance for doubtful accounts of \$0	325,328
Inventory	236,294
Total current assets	<u>7,164,173</u>
<b>NONCURRENT ASSETS</b>	
Restricted cash and cash equivalents	<u>488,056</u>
Property and equipment, at cost	
Land and water rights	6,743,494
Buildings	58,400
Vehicles	296,522
Improvements, other than buildings	27,407,761
Office furniture and equipment	433,121
Work in process	4,017,561
Accumulated depreciation	<u>(3,556,784)</u>
Net property and equipment	<u>35,400,075</u>
Bond issue costs, less accumulated amortization of \$22,307	267,492
Total noncurrent assets	<u>267,492</u>
Total assets	<u>\$ 43,319,796</u>
<b><u>LIABILITIES</u></b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 315,205
Current portion of long-term debt payable from restricted assets	353,000
Current portion of capital leases	38,946
Due to other funds	166,000
Accrued liabilities	21,171
Accrued interest	249,716
Total current liabilities	<u>1,144,038</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term compensation liability	20,392
Capital leases	74,219
Bonds payable from restricted assets	12,974,989
Total noncurrent liabilities	<u>13,069,600</u>
Total liabilities	<u>14,213,638</u>
<b><u>NET ASSETS</u></b>	
Investment in capital assets, net of related debt	22,226,413
Restricted for:	
Capital projects	1,271,151
Debt service	488,056
Unrestricted	5,120,538
Total net assets	<u>29,106,158</u>
Total liabilities and net assets	<u>\$ 43,319,796</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, 2008

	<u>Business-type Activities Water/Sewer</u>
OPERATING REVENUE	
Sales and charges for services	\$ 3,684,295
Total operating revenue	<u>3,684,295</u>
OPERATING EXPENSES	
Personal services	739,652
Supplies	688,604
Water purchases	1,224,995
Utilities	148,948
Depreciation and amortization	1,049,798
Total expenses	<u>3,851,997</u>
Operating income (loss)	<u>(167,702)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	333,782
Impact fees	370,516
Loss on sale of assets	(5,432)
Interest expense	(227,116)
Total nonoperating revenues (expenses)	<u>471,750</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	<u>2,015,414</u>
Total capital contributions	<u>2,015,414</u>
Transfers	
Transfers in	<u>6,649</u>
Increase in net assets	2,326,111
NET ASSETS, JULY 1, 2007	<u>26,780,047</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 29,106,158</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,683,447
Payments to suppliers	(2,006,280)
Payments to employees	(729,334)
Net cash provided by operating activities	<u>947,833</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Transfers	6,649
Net cash provided by non capital financing	<u>6,649</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	370,516
Purchase of capital assets	(2,535,938)
Principal paid on capital leases	(88,025)
Loss from sale of assets	19,000
Bond proceeds	9,982,989
Bond payments	(10,598,838)
Bond costs	(126,723)
Interest paid on bonds and leases	(158,962)
Net cash used in capital and related financing activities	<u>(3,135,981)</u>
Cash flows from investing activities	
Investment earnings	333,782
Net cash provided from investing activities	<u>333,782</u>
Net increase in cash and cash equivalents	(1,847,717)
CASH AND CASH EQUIVALENTS, JULY 1, 2007	<u>8,938,324</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	<u>\$ 7,090,607</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (167,702)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,049,798
Increase (decrease) due to changes in:	
Accounts receivable	(848)
Inventory	9,376
Accounts payable	46,891
Accrued liabilities affecting operating activities	9,555
Other liabilities	763
Net cash provided by operating activities	<u>\$ 947,833</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Notes to the Financial Statements Fiscal Year Ended June 30, 2008

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### 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 three major governmental funds: (1) the general fund, (2) the capital projects fund, and (3) the Herriman parkway 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 eight non-major governmental funds: (1) the special revenue parks (2) the special revenues flood control, (3) the special revenue public safety fund, (4) the new development street signs fund, and (5) the special revenue street lights, (6) the special revenue roads, (7) the special revenue fire impact, and (8) the debt service 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 \$1,000 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, 2008. 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, 2008, 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 11.62% 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 Retirements Systems for the years ended June 30, 2008, 2007, and 2006 were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Noncontributory employer contributions			
Salary	\$ 2,661,845	\$ 2,268,244	\$ 1,860,803
Employer contributions	309,307	262,889	206,363
401(k) Plan			
Employee contributions	96,250	72,235	59,063
Employer contributions	66,112	54,635	42,919
457 Plan			
Employee contributions	14,853	11,027	10,361
Employer contributions	9,921	8,101	6,681

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, 2008.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 47,434,339	\$ 927,735	\$ (1,510,432)	\$ 46,851,642
Easements	30,000	1,580,602	-	1,610,602
Work in process	947,348	4,514,749	(4,364,640)	1,097,457
Total nondepreciated assets	<u>48,411,687</u>	<u>7,023,086</u>	<u>(5,875,072)</u>	<u>49,559,701</u>
Depreciated assets				
Buildings	6,085,389	153,231	-	6,238,620
Improvements	60,335,433	4,484,693	(29,814)	64,790,312
Equipment	1,911,754	177,512	(55,739)	2,033,527
Other Infrastructure	922,093	32,582	(27,562)	927,113
Vehicles	1,560,174	685,467	(155,355)	2,090,286
Total depreciated assets	<u>70,814,843</u>	<u>5,533,485</u>	<u>(268,470)</u>	<u>76,079,858</u>
Less accumulated depreciation				
Buildings	(520,528)	(191,836)	-	(712,364)
Improvements	(6,384,459)	(2,485,514)	7,272	(8,862,701)
Equipment	(612,712)	(277,814)	49,073	(841,453)
Other Infrastructure	(42,143)	(49,675)	2,641	(89,177)
Vehicles	(602,382)	(442,307)	101,797	(942,892)
Total accumulated depreciation	<u>(8,162,224)</u>	<u>(3,447,146)</u>	<u>160,783</u>	<u>(11,448,587)</u>
Net assets depreciated	<u>62,652,619</u>	<u>2,086,339</u>	<u>(107,687)</u>	<u>64,631,271</u>
Total governmental activities	<u>111,064,306</u>	<u>9,109,425</u>	<u>(5,982,759)</u>	<u>114,190,972</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Nondepreciated assets</b>				
Land	1,457,212	-	-	1,457,212
Water rights	4,598,752	687,530	-	5,286,282
Work in process	2,333,773	2,509,454	(825,666)	4,017,561
Total nondepreciated assets	<u>8,389,737</u>	<u>3,196,984</u>	<u>(825,666)</u>	<u>10,761,055</u>
Depreciated assets				
Vehicles	263,127	87,685	(54,290)	296,522
Buildings	58,400	-	-	58,400
Improvements	25,156,575	2,251,187	-	27,407,762
Equipment	350,948	82,172	-	433,120
Total depreciated assets	<u>25,829,050</u>	<u>2,421,044</u>	<u>(54,290)</u>	<u>28,195,804</u>
Less accumulated depreciation				
Vehicles	(102,889)	(76,054)	29,859	(149,084)
Buildings	(3,164)	(1,460)	-	(4,624)
Improvements	(2,307,105)	(896,446)	-	(3,203,551)
Equipment	(123,687)	(75,838)	-	(199,525)
Total accumulated depreciation	<u>(2,536,845)</u>	<u>(1,049,798)</u>	<u>29,859</u>	<u>(3,556,784)</u>
Net assets depreciated	<u>23,292,205</u>	<u>1,371,246</u>	<u>(24,431)</u>	<u>24,639,020</u>
Total business-type assets	<u>31,681,942</u>	<u>4,568,230</u>	<u>(850,097)</u>	<u>35,400,075</u>
Total combined assets	<u>\$ 142,746,248</u>	<u>\$ 13,677,655</u>	<u>\$ (6,832,856)</u>	<u>\$ 149,591,047</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<b><u>DEPRECIATION EXPENSE</u></b>			
FUNCTION			
General government	\$ 383,738	\$ -	\$ 383,738
Highway and streets	1,636,033	-	1,636,033
Cemetery	16,367	-	16,367
Engineering	-	-	-
Parks	767,762	-	767,762
Public Safety	39,994	-	39,994
Flood control	603,252	-	603,252
Water	-	1,049,798	1,049,798
Totals	<u>\$ 3,447,146</u>	<u>\$ 1,049,798</u>	<u>\$ 4,496,944</u>

**4. INTERFUND TRANSFERS**

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ 137,439
Parks special revenue fund	510,000	-
Debt service fund	1,189,004	256,358
Capital projects fund	-	1,329,856
Water fund	6,649	-
New development street signs	18,000	-
	<u>\$ 1,723,653</u>	<u>\$ 1,723,653</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, 2008, 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>
<b>BONDS PAYABLE</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
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.	\$ 217,000	\$ -	\$ (217,000)	\$ -	\$ -
\$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.	1,021,000	-	(1,021,000)	-	-
Total governmental long-term debt	<u>1,238,000</u>	<u>-</u>	<u>(1,238,000)</u>	<u>-</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
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.	3,141,000	-	(159,000)	2,982,000	162,000
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)	-	-
Bond discount on 2005 bonds	(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.	433,000	-	(70,000)	363,000	71,000
Series Herriman bond anticipation bonds. The bonds bear interest at 5% and are secured by water revenue and were refunded in September 2007.	4,889,000	-	(4,889,000)	-	-
Herriman City Water Revenue & Refunding Bonds series 2007. The bonds bear interest at 4% and mature in 2033.	-	9,780,000	-	9,780,000	120,000
Less premium	-	207,676	4,687	202,989	-
Total business-type long-term debt	<u>13,943,838</u>	<u>9,987,676</u>	<u>(10,594,151)</u>	<u>13,327,989</u>	<u>353,000</u>
Total bonds payable	<u>\$ 15,181,838</u>	<u>\$ 9,987,676</u>	<u>\$(11,832,151)</u>	<u>\$ 13,327,989</u>	<u>\$ 353,000</u>
<b>GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES</b>					
Compensated absences	\$ 65,606	\$ 14,526	\$ -	\$ 80,132	\$ -
Capital leases	457,712	662,954	(394,906)	725,760	359,243
Land installment obligations	5,286,906	-	(899,053)	4,387,853	1,004,636
<b>BUSINESS, OTHER LIABILITIES</b>					
Compensated absences	19,629	763	-	20,392	-
Capital leases	113,503	87,685	(88,023)	113,165	38,946

The City funded the 2005 series water bond and the Herriman bond anticipation bonds with the Series 2007 bond. The refunded bonds carried an interest rate of 4.29% and 5%. The new series 2007 bond carried an interest rate of 4%.

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, 2008, for the business fund is listed in the following table:

Year Ending 30-Jun	Series 2003A Revenue Bonds			Series 2005 Taxable Bonds		
	Rate	Principal	Interest	Rate	Principal	Interest
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	0.00%	73,000	-
2013	1.86%	174,000	43,078	0.00%	73,000	6,317
2014-2017	1.86%	729,000	139,333	-	-	-
2018-2022	1.86%	990,000	95,251	-	-	-
2023-2027	1.86%	423,000	11,829	-	-	-
Less Discounts		-	-		-	-
Totals		<u>\$ 2,982,000</u>	<u>\$ 493,049</u>		<u>\$ 363,000</u>	<u>\$ 103,893</u>

Year Ending 30-Jun	Series 2007 Water Revenue	
	Principal	Interest
2009	120,000	212,288
2010	125,000	422,075
2011	135,000	416,875
2012	140,000	411,375
2013	145,000	405,675
2014-2020	1,755,000	2,582,963
2021-2027	3,025,000	2,084,738
2027-2033	4,335,000	851,511
Totals	<u>\$9,780,000</u>	<u>\$7,387,500</u>

The annual debt requirement to maturity, including principal and interest as of June 30, 2008, for the governmental funds is listed in the following table:

Year Ending 30-Jun	Installment Obligation		
	Rate	Principal	Interest
2009	5.00%	1,004,636	216,505
2010	5.00%	1,054,888	166,273
2011	5.00%	1,107,611	113,530
2012	5.00%	1,104,843	58,149
2013-2017	5.00%	115,875	2,906
2018-2022		-	-
2023-2027		-	-
Totals		<u>\$ 4,387,853</u>	<u>\$ 557,363</u>

**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, 2008, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 13,394,351

Cash investments and cash equivalents as of June 30, 2008, consist of the following:

Deposits with financial institutions	\$ 6,363,580
Investments, state treasurer	<u>7,030,771</u>
Total cash and cash equivalents	<u>\$ 13,394,351</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. The PTIF is not rated.

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, 2008, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</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	\$ 7,030,711	\$ 7,030,711	\$ -	\$ -
Total investments	<u>\$ 7,030,711</u>	<u>\$ 7,030,711</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, 2008, 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, 2008, \$6,059,920 of the \$6,363,584 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	\$ 58,824	\$ -	\$ 58,824
Special revenue, street signs	406	-	406
Special revenue, park impact fees	22,024	-	22,024
Special revenue, flood control	569,130	-	569,130
Special revenue, road impact fees	2,194,122	-	2,194,122
Special revenue, fire impact fees	132,923	-	132,923
Special revenue, public safety	169,960	-	169,960
Herriman Parkway	1,885,189	-	1,885,189
Bond reserve funds	110,308	5,608,594	5,718,902
Water impact fees		1,271,151	1,271,151
	<u>\$ 5,142,886</u>	<u>\$ 6,879,745</u>	<u>\$ 12,022,631</u>

**9. INTEREST EXPENSE**

The proprietary fund incurred \$586,834 in interest expense of which \$227,116 was charged to expense and \$359,718 was capitalized.

**10. RESTRICTED CASH**

The City has restricted cash of \$6,338,009 for impact fees, \$110,308 for debt service in the governmental funds, \$4,882,308 for bond escrow funds, and \$488,056 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.

**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. COMPLIANCE**

The City has overspent the budget in the Herriman Parkway Special Revenue Fund.

**15. INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS**

The City participates in the following services agreements:

- South Jordan Special Service District
- Unified Fire Authority
- 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.

**16. NON-CASH TRANSACTIONS ENTERPRISE FUND**

The City obtained assets from capital leases in the amount of \$87,685.

**17. 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, 2008, was \$381,220. 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, 2008. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2009	\$ 47,480
June 30, 2010	47,480
June 30, 2011	16,272
June 30, 2012	16,272
Thereafter	-
Totals	<u>127,504</u>
Less amounts representing interest	<u>(14,339)</u>
Present value	113,165
Less current portion	<u>(38,946)</u>
Long term	<u>\$ 74,219</u>

The depreciation expense from these assets was \$46,195 in 2008. 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, 2008, was \$1,682,309. 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 leases together with the present value of the net minimum lease payments as of June 30, 2008.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2009	\$ 395,087
June 30, 2010	277,854
June 30, 2011	63,688
June 30, 2012	63,688
Thereafter	-
Totals	<u>800,317</u>
Less amounts representing interest	<u>(74,557)</u>
Present value	725,760
Less current portion	<u>(359,242)</u>
Long term	<u>\$ 366,518</u>

**18. 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, 2008

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with Final Budget
<b>REVENUES</b>					
General property taxes	\$ 142,497	\$ 150,424	\$ 292,921	\$ 265,030	\$ (27,891)
Sales, use, and excise taxes	1,300,000	396,073	1,696,073	1,742,166	46,093
Franchise taxes	742,000	182,794	924,794	885,282	(39,512)
Licenses	45,000	5,000	50,000	316,486	266,486
Permits	2,696,192	(1,132,925)	1,563,267	1,252,611	(310,656)
Interest	192,000	42,000	234,000	210,745	(23,255)
Intergovernmental	456,000	144,361	600,361	632,923	32,562
Fines	200,000	30,000	230,000	158,326	(71,674)
Charges for services	2,129,898	(1,039,646)	1,090,252	498,954	(591,298)
Contributions	-	75	75	75	-
Grants	40,000	(12,525)	27,475	23,476	(3,999)
Sale of assets	1,908,000	(1,685,350)	222,650	203,650	(19,000)
Miscellaneous	71,826	18,861	90,687	139,928	49,241
Total revenues	<u>9,923,413</u>	<u>(2,900,858)</u>	<u>7,022,555</u>	<u>6,329,652</u>	<u>(692,903)</u>
<b>EXPENDITURES</b>					
Administrative	1,292,332	690,398	1,982,730	1,976,074	6,656
Facilities	314,058	(37,349)	276,709	262,567	14,142
Information technology	611,245	(126,437)	484,808	466,194	18,614
Highways and streets	1,076,459	126,096	1,202,555	1,173,894	28,661
Street lights	363,160	47,619	410,779	390,958	19,821
Storm drain maintenance	338,564	(46,998)	291,566	267,048	24,518
Street Signs	120,566	(38,193)	82,373	64,042	18,331
Cemetery	75,344	(35,464)	39,880	35,627	4,253
Public safety	309,050	33,157	342,207	313,876	28,331
Parks and recreation	1,771,885	(375,898)	1,395,987	1,295,303	100,684
Community affairs	2,026,003	(1,460,675)	565,328	519,043	46,285
Fleet management	102,512	(15,162)	87,350	82,460	4,890
Debt service	138,000	(500)	137,500	-	137,500
Community development	1,384,235	(531,287)	852,948	811,058	41,890
Total expenditures	<u>9,923,413</u>	<u>(1,770,693)</u>	<u>8,152,720</u>	<u>7,658,144</u>	<u>494,576</u>
Excess of revenues over expenditures (usage of fund balance)	-	(1,130,165)	(1,130,165)	(1,328,492)	(198,327)
<b>OTHER FINANCING SOURCES</b>					
Transfers out	-	-	-	(137,439)	(137,439)
Transfers in	-	-	-	-	-
Installment proceeds	-	-	-	-	-
Lease proceeds	-	-	-	622,954	622,954
Total other financing sources	-	-	-	<u>485,515</u>	<u>485,515</u>
Net change in fund balance	-	(1,130,165)	(1,130,165)	(842,977)	287,188
FUND BALANCE, JULY 1, 2007	<u>1,691,707</u>	-	<u>1,691,707</u>	<u>1,691,707</u>	-
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,691,707</u>	<u>\$ (1,130,165)</u>	<u>\$ 561,542</u>	<u>\$ 848,730</u>	<u>\$ 287,188</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Herriman Parkway Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with
				Basis	Final Budget
<b>REVENUES</b>					
Interest	\$ -	\$ -	\$ -	\$ 5,750	\$ 5,750
Intergovernmental	-	-	-	3,460,041	3,460,041
Total revenues	-	-	-	3,465,791	3,465,791
<b>EXPENDITURES</b>					
Capital Outlay	-	-	-	1,580,602	(1,580,602)
Total expenditures	-	-	-	1,580,602	(1,580,602)
Excess of revenues over expenditures (usage of fund balance)	-	-	-	1,885,189	1,885,189
Net change in fund balance	-	-	-	1,885,189	1,885,189
FUND BALANCE, JULY 1, 2007	-	-	-	-	-
FUND BALANCE, JUNE 30, 2008	\$ -	\$ -	\$ -	\$ 1,885,189	\$ 1,885,189

**SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Public Safety	New Development Street Signs	Special Revenue Street Lights	Special Revenue Roads	Special Revenue Fire Impact	Debt Service	Totals
<b>ASSETS</b>									
Cash, unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,145	\$ 202,145
Cash, restricted	22,024	595,620	171,889	406	64,684	2,194,122	132,923	110,308	3,291,976
<b>Total assets</b>	<b>\$ 22,024</b>	<b>\$ 595,620</b>	<b>\$ 171,889</b>	<b>\$ 406</b>	<b>\$ 64,684</b>	<b>\$ 2,194,122</b>	<b>\$ 132,923</b>	<b>\$ 312,453</b>	<b>\$ 3,494,121</b>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ 26,490	\$ -	\$ -	\$ 5,860	\$ -	\$ -	\$ -	\$ 32,350
Accrued liabilities	-	-	1,929	-	-	-	-	-	1,929
<b>Total liabilities</b>	<b>-</b>	<b>26,490</b>	<b>1,929</b>	<b>-</b>	<b>5,860</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,279</b>
<b>Fund balances</b>									
Unrestricted	-	-	-	-	-	-	-	202,145	202,145
Restricted bond sinking fund	-	-	-	-	-	-	-	110,308	110,308
Restricted	22,024	569,130	169,960	406	58,824	2,194,122	312,453	-	3,326,919
<b>Total fund balance</b>	<b>22,024</b>	<b>569,130</b>	<b>169,960</b>	<b>406</b>	<b>58,824</b>	<b>2,194,122</b>	<b>312,453</b>	<b>312,453</b>	<b>3,630,372</b>
<b>Total liabilities and fund balance</b>	<b>\$ 22,024</b>	<b>\$ 595,620</b>	<b>\$ 171,889</b>	<b>\$ 406</b>	<b>\$ 64,684</b>	<b>\$ 2,194,122</b>	<b>\$ 312,453</b>	<b>\$ 312,453</b>	<b>\$ 3,673,651</b>

**HERRIMAN CITY**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2008**

	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Public Safety	Special Revenue Street Signs	Special Revenue Street Lights	Special Revenue Road	Special Revenue Fire Impact	Debt Service	Totals
<b>REVENUES</b>									
Impact fees	\$ 181,105	\$ 362,242	\$ 1,543,851	\$ -	\$ 107,050	\$ 316,550	\$ 36,454	\$ -	\$ 2,527,252
Interest	6,793	52,383	-	-	-	71,049	-	21,467	151,712
Charges for services	-	-	-	6,868	-	-	-	-	6,868
Total revenues	187,898	414,625	1,543,851	6,868	107,050	387,599	36,454	21,467	2,685,832
<b>EXPENDITURES</b>									
Capital outlay	820,307	825,789	-	24,462	393,690	992,663	-	-	3,056,891
Public Safety	-	-	1,491,368	-	-	-	-	-	1,491,368
Debt service	-	-	-	-	-	-	-	1,240,500	1,240,500
Principal	-	-	-	-	-	-	-	42,413	42,413
Interest	-	-	-	-	-	-	-	1,282,913	1,282,913
Total expenditures	820,307	825,789	1,491,368	24,462	393,690	992,663	-	1,282,913	5,831,172
Revenues over (under) expenditures	(652,409)	(411,144)	52,483	(17,594)	(286,640)	(605,064)	36,454	(1,281,426)	(3,145,340)
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	510,000	-	-	18,000	-	-	-	1,189,004	1,717,004
Operating transfers out	-	-	-	-	-	-	-	(258,358)	(258,358)
Total other financing sources (uses)	510,000	-	-	18,000	-	-	-	930,646	1,458,646
Revenues and other sources over expenditures and other uses	(142,409)	(411,144)	52,483	406	(286,640)	(605,064)	36,454	(328,780)	(1,684,694)
<b>FUND BALANCE, JULY 1, 2007</b>	164,433	980,274	117,477	-	345,464	2,799,186	96,469	641,233	5,144,536
<b>FUND BALANCE, JUNE 30, 2008</b>	\$ 22,024	\$ 569,130	\$ 169,960	\$ 406	\$ 58,824	\$ 2,194,122	\$ 132,923	\$ 312,453	\$ 3,459,842

# HERRIMAN CITY

## Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 1,000,000	\$ (825,000)	\$ 175,000	\$ 161,105	\$ (13,895)
Interest	5,000	1,500	6,500	6,793	293
Contributions	-	-	-	-	-
Total revenues	<u>1,005,000</u>	<u>(823,500)</u>	<u>181,500</u>	<u>167,898</u>	<u>(13,602)</u>
<b>EXPENDITURES</b>					
Capital outlay	1,000,000	(149,248)	850,752	820,307	30,445
Total expenditures	<u>1,000,000</u>	<u>(149,248)</u>	<u>850,752</u>	<u>820,307</u>	<u>30,445</u>
Excess revenues over expenditures	5,000	(674,252)	(669,252)	(652,409)	16,843
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	510,000	510,000	510,000	-
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	5,000	(164,252)	(159,252)	(142,409)	16,843
FUND BALANCE, JULY 1, 2007	<u>164,433</u>	<u>-</u>	<u>164,433</u>	<u>164,433</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 169,433</u>	<u>\$ (164,252)</u>	<u>\$ 5,181</u>	<u>\$ 22,024</u>	<u>\$ 16,843</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 1,200,000	\$ (800,000)	\$ 400,000	\$ 362,242	\$ (37,758)
Interest	70,000	-	70,000	52,383	(17,617)
Total revenues	<u>1,270,000</u>	<u>(800,000)</u>	<u>470,000</u>	<u>414,625</u>	<u>(55,375)</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>1,746,512</u>	<u>(805,796)</u>	<u>940,716</u>	<u>825,769</u>	<u>114,947</u>
Total expenditures	<u>1,746,512</u>	<u>(805,796)</u>	<u>940,716</u>	<u>825,769</u>	<u>114,947</u>
Excess revenues over expenditures	(476,512)	5,796	(470,716)	(411,144)	59,572
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	(476,512)	5,796	(470,716)	(411,144)	59,572
FUND BALANCE, JULY 1, 2007	<u>980,274</u>	-	<u>980,274</u>	<u>980,274</u>	-
FUND BALANCE, JUNE 30, 2008	<u>\$ 503,762</u>	<u>\$ 5,796</u>	<u>\$ 509,558</u>	<u>\$ 569,130</u>	<u>\$ 59,572</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Public Safety Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 1,551,000	\$ -	\$ 1,551,000	\$ 1,543,851	\$ (7,149)
Interest	-	-	-	-	-
Total revenues	<u>1,551,000</u>	<u>-</u>	<u>1,551,000</u>	<u>1,543,851</u>	<u>(7,149)</u>
<b>EXPENDITURES</b>					
Public Safety	<u>1,547,847</u>	<u>2,174</u>	<u>1,550,021</u>	<u>1,491,368</u>	<u>58,653</u>
Total expenditures	<u>1,547,847</u>	<u>2,174</u>	<u>1,550,021</u>	<u>1,491,368</u>	<u>58,653</u>
Excess of revenues over expenditures (usage of fund balance)	<u>3,153</u>	<u>(2,174)</u>	<u>979</u>	<u>52,483</u>	<u>51,504</u>
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,153	(2,174)	979	52,483	51,504
FUND BALANCE, JULY 1, 2007	<u>117,477</u>	<u>-</u>	<u>117,477</u>	<u>117,477</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 120,630</u>	<u>\$ (2,174)</u>	<u>\$ 118,456</u>	<u>\$ 169,960</u>	<u>\$ 51,504</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Street signs Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 40,000	\$ -	\$ 40,000	\$ 6,868	\$ (33,132)
Interest	-	-	-	-	-
Total revenues	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>6,868</u>	<u>(33,132)</u>
<b>EXPENDITURES</b>					
Capital outlay	35,000	-	35,000	24,462	10,538
Total expenditures	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>24,462</u>	<u>10,538</u>
Excess of revenues over expenditures (usage of fund balance)	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>(17,594)</u>	<u>(22,594)</u>
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	18,000	18,000	18,000	-
Total other financing sources	<u>-</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Net change in fund balance	5,000	18,000	23,000	406	(22,594)
FUND BALANCE, JULY 1, 2007	<u>-</u>	<u>-</u>	<u>117,477</u>	<u>-</u>	<u>(117,477)</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 5,000</u>	<u>\$ 18,000</u>	<u>\$ 140,477</u>	<u>\$ 406</u>	<u>\$ (140,071)</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 350,000	\$ -	\$ 350,000	\$ 107,050	\$ (242,950)
Interest	-	-	-	-	-
Total revenues	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>107,050</u>	<u>(242,950)</u>
<b>EXPENDITURES</b>					
Capital outlay	341,290	53,000	394,290	393,690	600
Total expenditures	<u>341,290</u>	<u>53,000</u>	<u>394,290</u>	<u>393,690</u>	<u>600</u>
Excess of revenues over expenditures (usage of fund balance)	<u>8,710</u>	<u>(53,000)</u>	<u>(44,290)</u>	<u>(286,640)</u>	<u>(242,350)</u>
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	8,710	(53,000)	(44,290)	(286,640)	(242,350)
FUND BALANCE, JULY 1, 2007	<u>345,464</u>	<u>-</u>	<u>345,464</u>	<u>345,464</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 354,174</u>	<u>\$ (53,000)</u>	<u>\$ 301,174</u>	<u>\$ 58,824</u>	<u>\$ (242,350)</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Road Special Revenue Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Interest	\$ 72,000	\$ -	\$ 72,000	\$ 71,049	\$ (951)
Impact fees	882,000	(562,000)	320,000	316,550	(3,450)
Total revenues	<u>954,000</u>	<u>(562,000)</u>	<u>392,000</u>	<u>387,599</u>	<u>(4,401)</u>
<b>Expenditures</b>					
Capital outlay	2,021,004	419,250	2,440,254	992,663	1,447,591
Total expenditures	<u>2,021,004</u>	<u>419,250</u>	<u>2,440,254</u>	<u>992,663</u>	<u>1,447,591</u>
Excess of revenues over expenditures	<u>(1,067,004)</u>	<u>(981,250)</u>	<u>(2,048,254)</u>	<u>(605,064)</u>	<u>1,443,190</u>
Net change in fund balance	(1,067,004)	(981,250)	(2,048,254)	(605,064)	1,443,190
FUND BALANCE, JULY 1, 2007	<u>2,799,186</u>	<u>-</u>	<u>2,799,186</u>	<u>2,799,186</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 1,732,182</u>	<u>\$ (981,250)</u>	<u>\$ 750,932</u>	<u>\$ 2,194,122</u>	<u>\$ 1,443,190</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Fire Impact Fees Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ -	\$ 36,000	\$ 36,000	\$ 36,454	\$ 454
Interest	-	-	-	-	-
Total revenues	-	36,000	36,000	36,454	454
<b>EXPENDITURES</b>					
Public Safety	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	-	36,000	36,000	36,454	454
Net change in fund balance	-	36,000	36,000	36,454	454
FUND BALANCE, JULY 1, 2007	96,469	-	96,469	96,469	-
FUND BALANCE, JUNE 30, 2008	\$ 96,469	\$ 36,000	\$ 132,469	\$ 132,923	\$ 454

# HERRIMAN CITY

## Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Interest	\$ -	\$ 15,000	\$ 15,000	\$ 21,487	\$ 6,487
Total revenues	-	15,000	15,000	21,487	6,487
<b>EXPENDITURES</b>					
Debt service					
Principal	763,125	939,296	1,702,421	1,238,000	464,421
Interest	-	-	-	44,813	(44,813)
Total expenditures	763,125	939,296	1,702,421	1,282,813	419,608
Excess revenues over expenditures	(763,125)	(924,296)	(1,687,421)	(1,261,326)	426,095
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	(256,458)	(256,458)
Transfers in	763,125	819,856	1,582,981	1,494,442	(88,539)
Revenue and other sources over (under) expenditures and other uses	-	(104,440)	(104,440)	(23,342)	81,098
FUND BALANCE, JULY 1, 2007	641,233	-	641,233	641,233	-
FUND BALANCE, JUNE 30, 2008	\$ 641,233	\$ (104,440)	\$ 536,793	\$ 617,891	\$ 81,098

# HERRIMAN CITY

## Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	-	299,912	299,912	299,912	-
Total revenues	-	299,912	299,912	299,912	-
<b>EXPENDITURES</b>					
Capital outlay	440,000	3,046,843	3,486,843	2,019,833	1,467,010
Total expenditures	440,000	3,046,843	3,486,843	2,019,833	1,467,010
Excess of revenues over expenditures (usage of fund balance)	(440,000)	(2,746,931)	(3,186,931)	(1,719,921)	1,467,010
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers out	-	-	-	(1,329,856)	(1,329,856)
Transfers in	-	-	-	-	-
Proceed from sale of property	-	2,934,937	2,934,937	2,912,754	(22,183)
Misc. revenue	-	8,940	8,940	6,113	(2,827)
Total other financing sources	-	2,943,877	2,943,877	1,589,011	(1,354,866)
Net change in fund balance	(440,000)	196,946	(243,054)	(130,910)	112,144
FUND BALANCE, JULY 1, 2007	471,568	-	471,568	471,568	-
FUND BALANCE, JUNE 30, 2008	\$ 31,568	\$ 196,946	\$ 228,514	\$ 340,658	\$ 112,144

# 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 City, Utah

December 15, 2008

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate reaming fund information of Herriman City, Utah, for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. Our audit included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

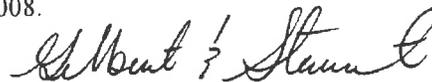
Public Debt	Impact Fees
Cash Management	Other General Compliance Issues
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Uniform Building Code Standards
Liquor Law Enforcement	Justice Courts Compliance
Asset Forfeiture	Utah Retirement System Compliance
Truth in Taxation and Property Tax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

The City did not receive any major or nonmajor state grants during the year ended June 30, 2008. 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, 2008.



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) 756-9886  
FAX (801) 756-9887

**HEBER OFFICE**  
45 SOUTH MAIN ST.  
HEBER, UTAH 84032  
(435) 854-8477  
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
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SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA  
ROBERT PHELPS, CPA

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## 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 15, 2008

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, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

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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) 758-9666  
FAX (801) 758-9667

HEBER OFFICE  
45 SOUTH MAIN ST.  
HEBER, UTAH 84032  
(435) 854-6477  
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM

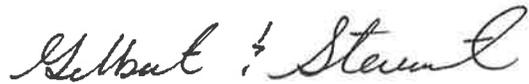
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Compliance and Other Matters

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

This report is intended solely for the information and use of 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,



GILBERT & STEWART  
*Certified Public Accountants*

## Herriman City

### Schedule of Impact Fees Fiscal Year Ended June 30, 2008

Herriman City collects sewer, storm drain, park, road, recreation, 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	Public safety	Street Signs	Fire Impact	Street Lights
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-
2007	-	154,505	1,806,523	695,382	205,253	-	-	96,469	-
2008	22,024	414,625	387,599	187,708	182,807	169,960	406	36,454	58,824
<b>Total</b>	<b>\$ 22,024</b>	<b>\$ 569,130</b>	<b>\$ 2,194,122</b>	<b>\$ 883,090</b>	<b>\$ 388,060</b>	<b>\$ 169,960</b>	<b>\$ 406</b>	<b>\$ 132,923</b>	<b>\$ 58,824</b>

# Herriman City

## Schedule of Impact Fees, Continued Fiscal Year Ended June 30, 2008

The following capital projects are planned to use the impact fees shown on the previous page:

<u>For the Year Ended June 30 of the Following:</u>	<u>Capital Project Planned</u>	<u>Projected Cost</u>	<u>Estimated Starting Date</u>
<b>Park impact fees</b>			
2009	Trail improvements	500,000	7/1/2009
2011	Quad Baseball Complex	2,000,000	8/1/2011
<b>Storm drain impact fees</b>			
2009	Main Street beautification	100,000	9/1/2009
	Herriman Parkway	100,000	4/1/2009
	Main Street beautification	100,000	7/1/2009
	Rose Creek Detention Basin	150,000	7/1/2009
2010	Storm Water Utility Study	100,000	12/1/2010
2011	5600 West	500,000	7/1/2011
	Mountain View Frontage Road	1,500,000	10/1/2011
<b>Road impact fees</b>			
2009	Herriman Parkway project	3,200,000	7/1/2009
	Main Street beautification	3,500,000	7/1/2009
2010	5600 West (12600 So. - 13200 So.)	2,000,000	7/1/2010
	Mountain View Corridor Road	8,000,000	10/1/2011
<b>Water rights</b>			
2009	Purchase ground water rights	1,000,000	7/1/2011
	Purchase canal share/ secondary water	500,000	12/1/2011
2010	Purchase ground water rights	1,000,000	7/1/2011
	Purchase canal share/ secondary water	500,000	12/1/2011
<b>Water impact fees</b>			
2008	Three million gallon tank	1,500,000	12/1/2009
	Transmission line	1,000,000	3/1/2011
	Main Street 8" water line	500,000	12/1/2008
	Secondary water back bone	1,000,000	5/1/2011
2009	Two million gallon tank - Zone 2	1,500,000	6/10/2011
2010	Five million gallon tank	3,600,000	9/1/2011
<b>Street light fees</b>			
2009	Expenditures	235,469	7/1/2009
2010	Expenditures	225,000	7/1/2010

**HERRIMAN CITY**  
**MANAGEMENT LETTER**  
**JUNE 30, 2008**

**GILBERT & STEWART**  
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A PROFESSIONAL CORPORATION

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December 15, 2008

Honorable Mayor and City Council  
Herriman City  
Herriman City, UT

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, 2008, and have issued our report thereon dated December 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Herriman City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Herriman City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Herriman City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

**PROVO OFFICE**  
190 WEBB 800 NORTH #100  
PROVO, UT 84601  
(801) 377-8200  
FAX (801) 373-8622

**AMERICAN FORK OFFICE**  
88 NORTH CENTER STREET  
AMERICAN FORK, UT 84003  
(801) 766-2066  
FAX (801) 766-9607

**HEBER OFFICE**  
46 SOUTH MAIN ST.  
HEBER, UTAH 84032  
(435) 864-6477  
FAX (801) 373-8622

WWW.GILBERTANDSTEWART.COM

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the capital assets' useful life is based on the historical life of similar assets. We evaluated the key factors and assumptions used to develop the capital assets' useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 15, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following matters are items noticed during our audit which related to Utah State compliance issues:

Utah State Findings – Current Year

**08-1** Budgetary Compliance

**Finding:** Utah State law prohibits the City from incurring expenditures in excess of those budgeted. During the course of our audit we noted that the expenditures exceeded appropriations in the Parkway Special Revenue fund:

Parkway Fund	\$ 1,580,602
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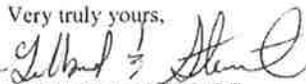
**Recommendation:** We recommend that the City make necessary budgetary adjustments to bring the fund balance into compliance with the state law.

**City's Response:** We will monitor the budgets closely to make sure departments do not overspend their allotted budget. We will also monitor new bond appropriations and budget them properly.

Utah State Findings – Prior Year - None

We thank you for the opportunity to serve Herriman City. City personnel were very helpful in providing required documentation and information during our audit. Management is providing information and services to the City in an efficient and competent manner. If you have any questions regarding the above information or our audit please call.

This information is intended solely for the use of the City Council and management, and is not intended and should not be used by anyone other than these specified parties.

Very truly yours,  
  
GILBERT & STEWART  
Certified Public Accountants