



**HERRIMAN CITY**

**Annual Financial Report  
Fiscal Year Ended June 30, 2009  
(With Auditor's Report Therein)**

# HERRIMAN CITY

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
Herriman City, Utah

December 15, 2009

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, 2009, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 15, 2009, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison 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

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methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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.



GILBERT & STEWART  
*Certified Public Accountants*

# HERRIMAN CITY

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2009

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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, 2009. 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 \$167,916,319 (net assets). Of this amount, \$2,540,469 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$23,278,515.

The City's governmental activities reported a combined ending fund balance of \$133,952,359. Of the combined total fund balance, \$2,031,174 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, 2009, totaled \$1,000,947 and is 18% of the general fund total revenues for the year. Total debt for Herriman City is approximately \$24,989,266. The City issued Herriman City bonds series 2008 for \$7,850,000.

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

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

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

#### **OTHER INFORMATION**

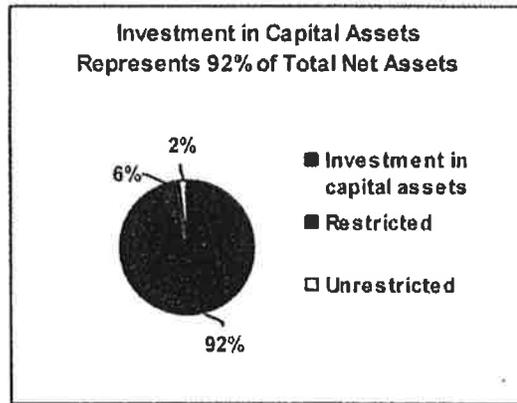
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Herriman City Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current assets	\$ 11,220,937	\$ 7,410,619	\$ 3,308,902	\$ 6,998,173	\$ 14,529,839	\$ 14,408,792
Non-current assets	789,711	110,308	484,847	488,056	1,274,558	598,364
Capital assets	135,432,375	114,190,972	43,871,409	35,400,075	179,303,784	149,591,047
Other assets	209,554	-	255,933	267,492	465,487	267,492
<b>Total assets</b>	<b>147,652,577</b>	<b>121,711,899</b>	<b>47,921,091</b>	<b>43,153,796</b>	<b>195,573,668</b>	<b>164,865,695</b>
Current liabilities	2,888,138	2,173,471	1,303,331	978,038	4,191,469	3,151,509
Non-current liabilities	10,812,080	4,006,782	12,653,800	13,089,600	23,465,880	17,078,382
<b>Total liabilities</b>	<b>13,700,218</b>	<b>6,180,253</b>	<b>13,957,131</b>	<b>14,047,638</b>	<b>27,657,349</b>	<b>20,227,891</b>
<b>Net assets</b>						
Investment in capital assets, net of related debt	123,489,827	109,077,359	31,080,624	22,226,413	154,570,451	131,303,772
Restricted	8,431,358	5,176,759	2,374,041	1,759,207	10,805,399	6,935,966
Unrestricted	2,031,174	1,277,528	509,295	5,120,538	2,540,469	6,398,066
<b>Total net assets</b>	<b>133,952,359</b>	<b>115,531,646</b>	<b>33,963,960</b>	<b>29,106,158</b>	<b>167,916,319</b>	<b>144,637,804</b>
<b>Total liabilities and net assets</b>	<b>\$ 147,652,577</b>	<b>\$ 121,711,899</b>	<b>\$ 47,921,091</b>	<b>\$ 43,153,796</b>	<b>\$ 195,573,668</b>	<b>\$ 164,865,695</b>

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



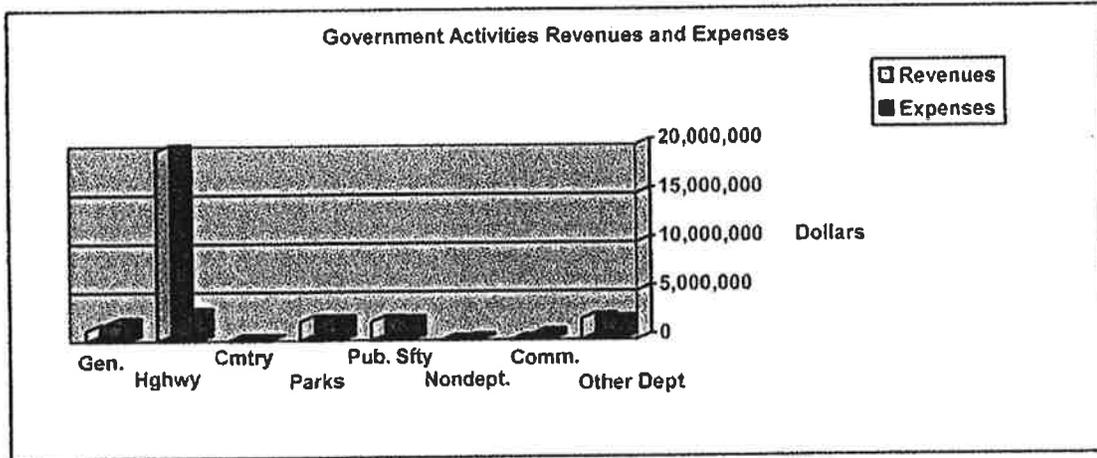
An additional part of net assets (6%) are assets that are subject to external restrictions on how they may be expended. The remaining 2% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

Herriman City's Changes in Net Assets

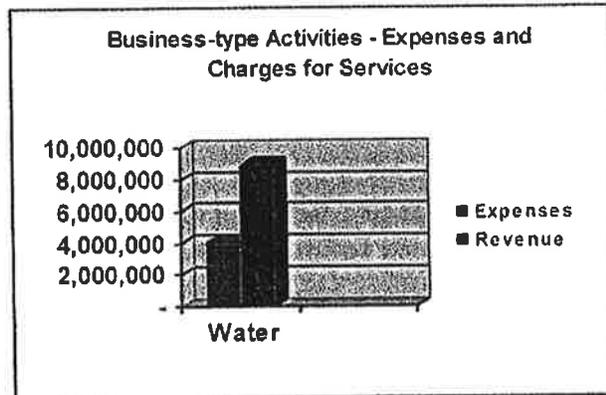
	Governmental Activities		Business Type Activities	
	2009	2008	2009	2008
<b>REVENUES</b>				
Charges for services	\$ 6,478,356	\$ 8,312,823	\$ 4,016,901	\$ 4,054,811
Operating grants and contributions	635,128	656,474	-	-
Capital grants and contributions	19,546,950	2,974,561	4,846,587	2,015,414
<b>General Revenues</b>				
Property taxes, levied for general purposes	401,978	265,030	-	-
Franchise taxes	996,562	885,282	-	-
Sales taxes	1,671,217	1,742,166	-	-
Gain (loss) from sale of assets	691,807	1,437,837	-	(5,432)
Other revenues	10,681	63,755	-	-
Investment earnings	173,622	368,206	55,628	333,782
<b>Total revenues</b>	<b>30,806,301</b>	<b>16,706,134</b>	<b>8,919,116</b>	<b>6,398,575</b>
<b>EXPENSESES</b>				
General government	1,836,481	1,785,857	-	-
Facilities	223,012	236,949	-	-
Information technology	355,015	385,870	-	-
Highway and streets	2,767,154	3,099,121	-	-
Storm drain	957,519	783,969	-	-
Cemetery	48,921	43,378	-	-
Parks	2,001,692	2,142,578	-	-
Public safety	1,917,999	1,764,437	-	-
Nondepartmental	123,937	79,227	-	-
Community development	587,011	655,328	-	-
Community affairs	343,309	439,289	-	-
Street lights	279,007	246,499	-	-
Street signs	65,982	58,995	-	-
Engineering	263,575	441,022	-	-
Interest on long-term debt	414,974	323,110	-	-
Water	-	-	4,061,314	4,079,113
<b>Total expenses</b>	<b>12,185,588</b>	<b>12,485,629</b>	<b>4,061,314</b>	<b>4,079,113</b>
<b>OTHER SOURCES</b>				
Transfers in	-	-	-	6,649
Transfers out	-	(6,649)	-	-
<b>Total other sources</b>	<b>-</b>	<b>(6,649)</b>	<b>-</b>	<b>6,649</b>
<b>CHANGES IN NET ASSETS</b>	<b>18,420,713</b>	<b>4,213,856</b>	<b>4,857,802</b>	<b>2,326,111</b>
Net assets, July 1, 2008	115,531,646	111,317,790	29,106,158	26,780,047
Net Assets, June 30, 2009	\$ 133,952,359	\$ 115,531,646	\$ 33,963,960	\$ 29,106,158

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Governmental activities' net assets increased by \$18,420,713 for the year ended June 30, 2009. Governmental activities contributed to 79% 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.



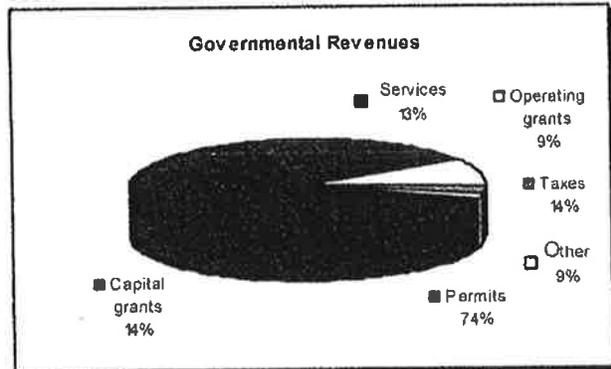
Business-type activities contributed an amount of \$4,857,802 or 21% of the total increase to net assets. The most significant reason for this increase in business-type activities is a capital contribution from developers.



**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, 2009.

For the period ended June 30, 2009, the City's governmental funds reported combined net assets in the amount of \$10,549,089 with an increase of \$4,014,671 compared with the prior fiscal year. Of the total balance at year-end, \$2,117,731 is unreserved and undesignated. Of the remaining \$8,431,358 of combined net assets, \$499,079 is reserved for servicing the City's debt, with the remaining \$7,932,279 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2009, the general fund's unreserved fund balance was \$1,000,947. The total fund balance of the general fund for Herriman City increased by \$152,218. 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 decreased \$1,061,328. The fund balance in the capital improvement fund increased by \$6,725,597.

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 \$509,295. 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 \$466,795. Most of the decrease was a result of decreasing expenses as a result of the lower revenues from building permits, sales taxes, and other general revenues. The budget in the parks special revenue fund, flood control special revenue fund, public safety funds, fire impact fees fund, and road special revenue fund increased as the result of additional impact fees and capital outlay. The street light special revenue fund decreased as the result of lower impact fees. The capital improvement fund budget was increased as the result of revenue bonds and construction projects.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Herriman City's investment in capital assets for its governmental and business type activities has a combined total of \$179,303,784 (net of \$20,206,174 accumulated depreciation) at June 30, 2009. 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 \$2,652,623. The City's investment in net capital assets equals nearly 92% of total assets. Governmental activities net capital assets to governmental activities assets equaled 76% while the business-type activities percentage was 24%.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 51,088,799	\$ 46,851,643	\$ 1,457,212	\$ 1,457,212
Easements	1,618,802	1,610,602	-	-
Infrastructure	927,113	927,113	-	-
Buildings	6,238,620	6,238,620	58,400	58,400
Water rights	-	-	6,732,778	5,286,282
Improvements, other than buildings	83,538,975	64,790,310	39,173,232	27,407,762
Vehicles	2,577,737	2,090,286	296,522	296,522
Office furniture and equipment	2,296,668	2,033,528	448,807	433,120
Construction in progress	2,652,623	1,097,457	403,870	4,017,561
Accumulated depreciation	(15,506,962)	(11,448,587)	(4,699,212)	(3,556,784)
Net book value	<u>\$ 135,432,375</u>	<u>\$ 114,190,972</u>	<u>\$ 43,871,409</u>	<u>\$ 35,400,075</u>

At June 30, 2009, Herriman City's total bond amounted to \$12,970,115 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 \$3,377,729.

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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue bonds	\$ 7,799,891	\$ -	\$ 12,970,115	\$ 13,125,000	\$ 20,770,006	\$ 13,125,000
Installment obligation	3,377,729	4,387,853	-	-	3,377,729	4,387,853
Capital leases	764,928	725,760	76,603	133,165	841,531	858,925
<b>Total</b>	<b>\$ 11,942,548</b>	<b>\$ 5,113,613</b>	<b>\$ 13,046,718</b>	<b>\$ 13,258,165</b>	<b>\$ 24,989,266</b>	<b>\$ 18,371,778</b>

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

As of July 2009, the state unemployment rate was 6.4%, up from 1.2% 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 would bring in more property taxes in future years. The rates and fees for most services remained constant for fiscal year ended 2009 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, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Restricted	\$ 8,214,805	\$ 3,082,068	\$ 11,296,873
Unrestricted	1,562,553	2,763	1,565,316
Receivables			
Property, and franchise and excise taxes	851,182	-	851,182
Other receivables, less allowance for doubtful accounts of \$0	187,475	393,374	580,849
Internal balances	403,000	(403,000)	-
Receivables	-	-	-
Accounts, less allowance for doubtful accounts of \$0	-	-	-
Prepaid expenses	1,922	-	1,922
Inventory	-	233,697	233,697
Total current assets	<u>11,220,937</u>	<u>3,308,902</u>	<u>14,529,839</u>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	<u>789,711</u>	<u>484,847</u>	<u>1,274,558</u>
Property and equipment, at cost			
Land and water rights	51,088,799	8,189,990	59,278,789
Easements	1,618,802	-	1,618,802
Infrastructure	787,707	-	787,707
Buildings	5,326,759	52,316	5,379,075
Improvements, other than buildings	71,673,946	34,972,193	106,646,139
Vehicles	1,091,911	78,637	1,170,548
Office furniture and equipment	1,191,828	174,603	1,366,431
Construction in progress	2,652,623	403,670	3,056,293
Net property and equipment	<u>135,432,375</u>	<u>43,871,409</u>	<u>179,303,784</u>
Other non-current assets			
Bond issue costs, less accumulated amortization of \$37,976	209,554	255,933	465,487
Total other noncurrent assets	<u>209,554</u>	<u>255,933</u>	<u>465,487</u>
Total assets	<u>\$ 147,652,577</u>	<u>\$ 47,921,091</u>	<u>\$ 195,573,668</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets, Continued June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 795,488	\$ 641,901	\$ 1,437,389
Current portion of long-term debt payable from restricted assets	-	363,000	363,000
Current portion of capital leases	336,947	40,839	377,786
Current portion installment obligation	994,512	-	994,512
Accrued liabilities	174,275	16,239	190,514
Deferred revenue	375,858	-	375,858
Accrued interest, payable from restricted assets	211,058	241,352	452,410
Total current liabilities	<u>2,888,138</u>	<u>1,303,331</u>	<u>4,191,469</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term compensation liability	85,051	10,921	95,972
Bonds payable from restricted sources	7,799,891	12,607,115	20,407,006
Capital leases	427,981	35,764	463,745
Installment obligations	2,383,217	-	2,383,217
Construction bonds	115,940	-	115,940
Total noncurrent liabilities	<u>10,812,080</u>	<u>12,653,800</u>	<u>23,465,880</u>
Total liabilities	<u>13,700,218</u>	<u>13,957,131</u>	<u>27,657,349</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	123,489,827	31,080,624	154,570,451
Restricted for:			
Capital projects	5,762,230	1,889,194	7,651,424
Other restricted	2,669,128	484,847	3,153,975
Unrestricted	2,031,174	509,295	2,540,469
Total net assets	<u>133,952,359</u>	<u>33,963,960</u>	<u>167,916,319</u>
Total liabilities and net assets	<u>\$ 147,652,577</u>	<u>\$ 47,921,091</u>	<u>\$ 195,573,668</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

Statement of Activities  
Fiscal Year Ended June 30, 2009

Functions and Programs	Program Revenues				Net (Expense) 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	\$ 1,836,481	\$ 1,118,084	\$ 26,340	\$ -	\$ (692,047)	\$ -	\$ (692,047)
Facilities	223,012	-	-	-	(223,012)	-	(223,012)
Information technology	355,015	-	-	-	(355,015)	-	(355,015)
Highway and streets	2,767,154	781,133	581,294	18,217,762	16,813,055	-	16,813,055
Storm Drain	957,519	925,001	-	1,226,031	1,193,513	-	1,193,513
Cemetery	48,921	49,950	-	-	1,029	-	1,029
Public safety	1,917,999	1,925,464	27,494	-	34,959	-	34,959
Parks	2,001,692	1,678,714	-	103,137	(219,641)	-	(219,641)
Non-departmental	123,937	-	-	-	(123,937)	-	(123,937)
Community development	587,011	-	-	-	(587,011)	-	(587,011)
Community affairs	343,309	-	-	-	(343,309)	-	(343,309)
Street lights	279,007	-	-	-	(279,007)	-	(279,007)
Street signs	65,982	-	-	-	(65,982)	-	(65,982)
Engineering	263,575	-	-	-	(263,575)	-	(263,575)
Interest on long-term debt	414,974	-	-	-	(414,974)	-	(414,974)
Total government activities	12,195,688	6,478,356	635,128	19,546,950	14,474,846	-	14,474,846
Business-type activities							
Water	4,061,314	4,016,901	-	4,846,587	-	4,802,174	4,802,174
Total business-type activities	4,061,314	4,016,901	-	4,846,587	-	4,802,174	4,802,174
<b>Total primary government</b>	<b>\$ 16,246,902</b>	<b>\$ 10,495,257</b>	<b>\$ 635,128</b>	<b>\$ 24,393,537</b>	<b>14,474,846</b>	<b>4,802,174</b>	<b>19,277,020</b>
General revenues							
Taxes							
Property taxes, levied for general purposes					401,978	-	401,978
Franchise taxes					996,582	-	996,582
Sales taxes					1,671,217	-	1,671,217
Sale of assets					691,807	-	691,807
Other revenues					10,681	-	10,681
Investment earnings					173,623	55,628	229,250
Total general revenues, special items, and transfers					3,946,667	55,628	4,002,295
Changes in net assets					18,420,713	4,857,802	23,278,515
Net assets, July 1, 2008					115,531,646	29,106,158	144,637,804
Net assets, June 30, 2009					\$ 133,952,359	\$ 33,963,960	\$ 167,916,319

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Balance Sheet Governmental Funds June 30, 2009

	General	Capital Improvements	Herriman Parkway	Special Revenue Roads	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
ASSETS						
Cash and cash equivalents	\$ 601,636	\$ 649,079	\$ -	\$ -	\$ 311,838	\$ 1,562,553
Receivables						
Property, franchise, and excise tax	851,182	-	-	-	-	851,182
Other receivables, less allowance for doubtful loans of \$0	189,397	-	-	-	-	189,397
Due from other funds	166,000	237,000	-	-	-	403,000
Prepaid expenses	-	-	-	-	-	-
Restricted cash and cash equivalents	-	6,779,024	823,861	24,768	1,376,864	9,004,517
<b>Total assets</b>	<b><u>\$ 1,808,215</u></b>	<b><u>\$ 7,665,103</u></b>	<b><u>\$ 823,861</u></b>	<b><u>\$ 24,768</u></b>	<b><u>\$ 1,688,702</u></b>	<b><u>\$ 12,010,649</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
LIABILITIES						
Accounts payable	\$ 137,969	\$ 598,848	\$ -	\$ 76	\$ 54,469	\$ 791,362
Accrued liabilities	177,501	-	-	-	899	178,400
Construction bonds	115,940	-	-	-	-	115,940
Deferred revenue	375,858	-	-	-	-	375,858
<b>Total liabilities</b>	<b><u>807,268</u></b>	<b><u>598,848</u></b>	<b><u>-</u></b>	<b><u>76</u></b>	<b><u>55,368</u></b>	<b><u>1,461,560</u></b>
FUND BALANCES						
Unreserved	1,000,947	804,946	-	-	311,838	2,117,731
Reserved for:						
Bond sinking funds	-	499,079	-	-	-	499,079
Other purposes	-	5,762,230	823,861	24,892	1,321,496	7,932,279
<b>Total fund balances</b>	<b><u>1,000,947</u></b>	<b><u>7,066,255</u></b>	<b><u>823,861</u></b>	<b><u>24,692</u></b>	<b><u>1,833,334</u></b>	<b><u>10,549,089</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,808,215</u></b>	<b><u>\$ 7,665,103</u></b>	<b><u>\$ 823,861</u></b>	<b><u>\$ 24,768</u></b>	<b><u>\$ 1,688,702</u></b>	<b><u>\$ 12,010,649</u></b>

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, 2009

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Total Fund Balance \$ 10,549,089

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	\$ 51,088,799	
Infrastructure	9,016,587	
Easements	1,618,802	
Buildings	6,238,620	
Improvements, other than buildings	75,449,503	
Office equipment	2,296,669	
Construction in progress	2,652,623	
Vehicles	2,577,737	
Less accumulated depreciation	<u>(15,506,965)</u>	
Total capital assets		135,432,375

Bond costs are expensed in the governmental funds and capitalized and  
amortized in the government wide statements. 209,554

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	(85,051)	
Installment obligations	(3,377,731)	
Accrued interest	(211,058)	
Bonds payable	(7,799,891)	
Capital leases	<u>(764,928)</u>	
Total liabilities		<u>(12,238,659)</u>

Total net assets of governmental activities \$ 133,952,359

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, 2009

	General	Capital Projects	Herriman Parkway	Special Revenue Roads	Other Governmental Funds	Totals
<b>REVENUES</b>						
General property taxes	\$ 401,978	\$ -	\$ -	\$ -	\$ -	\$ 401,978
Sales, use, and excise taxes	1,671,217	-	-	-	-	1,671,217
Franchise taxes	1,002,562	-	-	-	-	1,002,562
Licenses	51,474	-	-	-	-	51,474
Permits	945,790	-	-	-	-	945,790
Interest	72,684	-	2,184	24,508	28,197	127,573
Intergovernmental	590,830	-	3,990,000	-	-	4,580,830
Fines	153,806	-	-	-	-	153,806
Impact fees	-	-	-	711,698	1,295,933	2,007,631
Charges for services	524,968	-	-	869,310	2,692,661	4,086,939
Contributions	-	-	-	-	-	-
Grants	44,299	-	-	-	-	44,299
Sale of assets	34,303	2,132,074	-	-	-	2,166,377
Miscellaneous	106,983	46,050	-	-	-	153,033
Total revenues	<u>5,600,694</u>	<u>2,178,124</u>	<u>3,992,184</u>	<u>1,605,516</u>	<u>4,016,791</u>	<u>17,393,309</u>
<b>EXPENDITURES</b>						
Current						
Administration	1,261,618	-	-	-	-	1,261,618
Facilities	249,074	-	-	-	-	249,074
Information technology	379,868	-	-	-	-	379,868
Highway and streets	787,372	-	-	-	-	787,372
Street lights	309,361	-	-	-	-	309,361
Storm drain maintenance	183,938	-	-	-	-	183,938
Street signs	68,120	-	-	-	-	68,120
Cemetery	38,730	-	-	-	-	38,730
Public safety	374,437	-	-	-	1,561,962	1,936,399
Parks and recreations	1,503,684	-	5,053,512	-	-	6,557,196
Community affairs	398,757	-	-	-	-	398,757
Engineering	272,810	-	-	-	-	272,810
Fleet management	115,506	-	-	-	-	115,506
Human resources	107,031	-	-	-	-	107,031
Community development	578,270	-	-	-	-	578,270
Capital outlay	-	2,757,732	-	3,774,946	1,671,785	8,204,463
Principal	-	-	-	-	-	-
Bond costs	-	213,663	-	-	-	213,663
Interest and other fiscal charges	-	51,132	-	-	15,430	66,562
Total expenditures	<u>6,628,376</u>	<u>3,022,527</u>	<u>5,053,512</u>	<u>3,774,946</u>	<u>3,249,177</u>	<u>21,728,538</u>
Revenues over (under) expenditures	<u>(1,027,682)</u>	<u>(844,403)</u>	<u>(1,061,328)</u>	<u>(2,169,430)</u>	<u>767,614</u>	<u>(4,335,229)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Lease proceeds	499,900	-	-	-	-	499,900
Bond proceeds	-	7,850,000	-	-	-	7,850,000
Operating transfers in	680,000	-	-	-	-	680,000
Operating transfers out	-	(280,000)	-	-	(400,000)	(680,000)
Total other financing	<u>1,179,900</u>	<u>7,570,000</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>8,349,900</u>
Revenue and other sources over (under) expenditures and other uses	<u>152,218</u>	<u>6,725,597</u>	<u>(1,061,328)</u>	<u>(2,169,430)</u>	<u>367,614</u>	<u>4,014,671</u>
FUND BALANCE, JULY 1, 2008	<u>848,729</u>	<u>340,658</u>	<u>1,885,189</u>	<u>2,194,122</u>	<u>1,265,720</u>	<u>6,534,418</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,000,947</u>	<u>\$ 7,066,255</u>	<u>\$ 823,861</u>	<u>\$ 24,692</u>	<u>\$ 1,633,334</u>	<u>\$ 10,549,089</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, 2009

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NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	4,014,671
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 (\$12,157,839) is more than depreciation expense (\$4,059,611).			
			8,098,228
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			390,834
Installment obligations are recorded as revenue in the fund statements and recorded as a reduction in principal in the government wide statements.			1,010,124
Bond proceeds is recorded as a revenue in the governmental funds and as a liability in the government wide statements.			(7,850,000)
Bond discount is recorded as a reduction in proceeds in the government funds statement and as a reduction in liability in the government wide statements.			51,132
Lease proceeds are recorded as income in the fund statement and as a liability in the government wide statement.			(499,900)
Bond discount amortization is not recorded in the government funds but is amortized in the government wide statements.			(1,023)
Bond costs are expensed in the government funds and capitalized and amortized in the government wide statements.			209,554
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	\$	(4,919)	
Accrued interest		(211,058)	
			(215,977)
Contributions from the developer from assets contributed to the City are financial resources not reported as revenues in the funds.			14,687,640
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.			(1,474,570)
Change in net assets of governmental activities		\$	<u>18,420,713</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets Proprietary Funds June 30, 2009

	<u>Business-type Activities Water/Sewer</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	
Restricted	\$ 3,082,068
Unrestricted	2,763
Receivables	
Accounts, less allowance for doubtful accounts of \$0	393,374
Inventory	233,697
Total current assets	<u>3,711,902</u>
<b>NONCURRENT ASSETS</b>	
Restricted cash and cash equivalents	<u>484,847</u>
Property and equipment, at cost	
Land and water rights	8,189,990
Buildings	58,400
Vehicles	296,522
Improvements, other than buildings	39,173,232
Office furniture and equipment	448,807
Work in process	403,670
Accumulated depreciation	<u>(4,699,212)</u>
Net property and equipment	<u>43,871,409</u>
Bond issue costs, less accumulated amortization of \$33,867	255,933
Total noncurrent assets	<u>255,933</u>
Total assets	<u>\$ 48,324,091</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 641,901
Current portion of long-term debt payable from restricted assets	363,000
Current portion of capital leases	40,839
Due to other funds	403,000
Accrued liabilities	16,239
Accrued interest	241,352
Total current liabilities	<u>1,706,331</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term compensation liability	10,921
Capital leases	35,764
Bonds payable from restricted assets	12,607,115
Total noncurrent liabilities	<u>12,653,800</u>
Total liabilities	<u>14,360,131</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	31,080,624
Restricted for:	
Capital projects	1,889,194
Debt service	484,847
Unrestricted	509,295
Total net assets	<u>33,963,960</u>
Total liabilities and net assets	<u>\$ 48,324,091</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, 2009

	<u>Business-type Activities Water/Sewer</u>
OPERATING REVENUE	
Sales and charges for services	\$ 4,016,901
Total operating revenue	<u>4,016,901</u>
OPERATING EXPENSES	
Personal services	768,179
Supplies	393,686
Water purchases	1,118,307
Utilities	181,596
Depreciation and amortization	1,142,427
Total expenses	<u>3,604,195</u>
Operating income	<u>412,706</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	55,628
Impact fees	1,956,236
Interest expense	(457,119)
Total nonoperating revenues (expenses)	<u>1,554,745</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	2,890,351
Total capital contributions	<u>2,890,351</u>
Transfers	
Transfers in	<u>-</u>
Increase in net assets	4,857,802
NET ASSETS, JULY 1, 2008	<u>29,106,158</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 33,963,960</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2009

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CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,948,855
Payments to suppliers	(1,369,227)
Payments to employees	(777,650)
Net cash provided by operating activities	<u>1,801,978</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Interfund loans	<u>237,000</u>
Net cash provided by noncapital financing	<u>237,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	1,956,236
Purchase of capital assets	(6,723,411)
Principal paid on capital leases	(36,562)
Bond payments	(357,874)
Bond costs amortization	11,559
Interest paid on bonds and leases	(465,483)
Net cash used in capital and related financing activities	<u>(5,615,535)</u>
Cash flows from investing activities	
Investment earnings	<u>55,628</u>
Net cash provided from investing activities	<u>55,628</u>
Net decrease in cash and cash equivalents	(3,520,929)
CASH AND CASH EQUIVALENTS, JULY 1, 2008	<u>7,090,607</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2009	<u>\$ 3,569,678</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 412,706
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,142,428
Increase (decrease) due to changes in:	
Accounts receivable	(68,046)
Inventory	2,597
Accounts payable	326,696
Accrued liabilities affecting operating activities	(4,932)
Other liabilities	(9,471)
Net cash provided by operating activities	<u>\$ 1,801,978</u>

The proprietary fund had assets contributed to the city of \$2,890,351

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Notes to the Financial Statements Fiscal Year Ended June 30, 2009

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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 four major governmental funds: (1) the general fund, (2) the capital projects fund, and (3) the Herriman Parkway special revenue fund and, (4) the road 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 revenue flood control, (3) the special revenue public safety fund, (4) the new development street signs fund, (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, 2009. 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, 2009, 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 11.82% 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, 2009, 2008, and 2007 were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Noncontributory employer contributions			
Salary	\$ 2,682,773	\$ 2,661,845	\$ 2,268,214
Employer contributions	311,737	309,307	262,889
401(k) Plan			
Employee contributions	110,305	96,250	72,235
Employer contributions	66,478	66,112	54,635
457 Plan			
Employee contributions	17,920	14,853	11,027
Employer contributions	9,531	9,921	8,101
IRA Employee paid	1,200	-	-

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, 2009.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<b><u>PRIMARY GOVERNMENT</u></b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 46,851,642	\$ 5,711,063	\$ (1,473,906)	\$ 51,088,799
Easements	1,610,602	8,200	-	1,618,802
Work in process	1,097,457	11,516,061	(9,960,895)	2,652,623
Total nondepreciated assets	<u>49,559,701</u>	<u>17,235,324</u>	<u>(11,434,801)</u>	<u>55,360,224</u>
Depreciated assets				
Buildings	6,238,620	-	-	6,238,620
Improvements	64,790,312	18,748,663	-	83,538,975
Equipment	2,033,527	265,039	(1,898)	2,296,668
Other Infrastructure	927,113	-	-	927,113
Vehicles	2,090,286	487,451	-	2,577,737
Total depreciated assets	<u>76,079,858</u>	<u>19,501,153</u>	<u>(1,898)</u>	<u>95,579,113</u>
Less accumulated depreciation				
Buildings	(712,364)	(199,497)	-	(911,861)
Improvements	(8,862,701)	(3,002,328)	-	(11,865,029)
Equipment	(841,453)	(264,621)	1,234	(1,104,840)
Other infrastructure	(89,177)	(50,229)	-	(139,406)
Vehicles	(942,891)	(542,935)	-	(1,485,826)
Total accumulated depreciation	<u>(11,448,586)</u>	<u>(4,059,610)</u>	<u>1,234</u>	<u>(15,506,962)</u>
Net assets depreciated	<u>64,631,272</u>	<u>15,441,543</u>	<u>(664)</u>	<u>80,072,151</u>
Total governmental activities	<u>114,190,973</u>	<u>32,676,867</u>	<u>(11,435,465)</u>	<u>135,432,375</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Nondepreciated assets				
Land	1,457,212	-	-	1,457,212
Water rights	5,286,282	1,446,496	-	6,732,778
Work in process	4,017,561	5,336,787	(8,950,678)	403,670
Total nondepreciated assets	<u>10,761,055</u>	<u>6,783,283</u>	<u>(8,950,678)</u>	<u>8,593,660</u>
Depreciated assets				
Vehicles	296,522	-	-	296,522
Buildings	58,400	-	-	58,400
Improvements	27,407,762	11,765,470	-	39,173,232
Equipment	433,120	15,686	-	448,806
Total depreciated assets	<u>28,195,804</u>	<u>11,781,156</u>	<u>-</u>	<u>39,976,960</u>
Less accumulated depreciation				
Vehicles	(149,084)	(68,801)	-	(217,885)
Buildings	(4,624)	(1,460)	-	(6,084)
Improvements	(3,203,551)	(997,488)	-	(4,201,039)
Equipment	(199,525)	(74,678)	-	(274,203)
Total accumulated depreciation	<u>(3,556,784)</u>	<u>(1,142,427)</u>	<u>-</u>	<u>(4,699,211)</u>
Net assets depreciated	<u>24,639,020</u>	<u>10,638,729</u>	<u>-</u>	<u>35,277,749</u>
Total business-type assets	<u>35,400,075</u>	<u>17,422,012</u>	<u>(8,950,678)</u>	<u>43,871,409</u>
Total combined assets	<u>\$ 149,591,048</u>	<u>\$ 50,098,879</u>	<u>\$ (20,386,143)</u>	<u>\$ 179,303,784</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<b><u>DEPRECIATION EXPENSE</u></b>			
<b>FUNCTION</b>			
General government	\$ 477,078	\$ -	\$ 477,078
Highway and streets	1,987,186	-	1,987,186
Cemetery	16,386	-	16,386
Engineering	5,385	-	-
Parks	853,230	-	853,230
Public safety	41,306	-	41,306
Flood control	679,039	-	679,039
Water	-	1,142,427	1,142,427
Totals	<u>\$ 4,059,610</u>	<u>\$ 1,142,427</u>	<u>\$ 5,202,037</u>

**4. INTERFUND TRANSFERS**

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ 680,000	\$ -
Parks special revenue fund	-	400,000
Capital projects fund	-	280,000
Total funds	<u>\$ 680,000</u>	<u>\$ 680,000</u>

The purpose of the transfers to the general fund was to provide for operation of the fund. The parks special revenue fund transferred funds to the general fund for payment of capital projects.

**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, 2009, are comprised of the following individual issues:

	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2009</u>	<u>Due Within One Year</u>
<b><u>BONDS PAYABLE</u></b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
Sales and Franchise tax revenue bonds series 2008. Original issue 7,850,000 with interest from 2.8% to 5.7%. The bonds are secured by Sales and franchise taxes and mature in 2033	\$ -	\$7,850,000	\$ -	\$7,850,000	\$ -
Bond Discount	-	(51,132)	1,023	(50,109)	-
Total governmental long-term debt	<u>-</u>	<u>7,798,868</u>	<u>1,023</u>	<u>7,799,891</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.	2,982,000	-	(162,000)	2,820,000	165,000
Taxable water revenue bonds series 2005. Bonds bear no interest but are discounted at 3%. The bonds are less a discount of \$65,585 and are secured by water revenue and mature in December 2012.	363,000	-	(71,000)	292,000	73,000
Herriman City Water Revenue & Refunding Bonds series 2007. The bonds bear interest at 4% and mature in 2033.	9,780,000	-	(120,000)	9,660,000	125,000
Premium	202,989	-	4,874	198,115	-
Total business-type long-term debt	<u>13,327,989</u>	<u>-</u>	<u>(348,126)</u>	<u>12,970,115</u>	<u>363,000</u>
Total bonds payable	<u>\$ 13,327,989</u>	<u>\$7,798,868</u>	<u>\$ (347,103)</u>	<u>\$20,770,008</u>	<u>\$ 363,000</u>
<b>GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES</b>					
Compensated absences	\$ 80,132	\$ 4,919	\$ -	\$ 85,051	\$ -
Capital leases	725,760	499,900	(460,732)	764,928	336,947
Land installment obligations	4,387,853	-	(1,010,124)	3,377,729	994,512
<b>BUSINESS, OTHER LIABILITIES</b>					
Compensated absences	20,392	-	(9,471)	10,921	-
Capital leases	113,165	-	(36,562)	76,603	40,839

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, 2009, 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
2010	1.86%	\$ 165,000	\$ 52,452	0.00%	\$ 73,000	\$ 8,760
2011	1.86%	168,000	49,383	0.00%	73,000	6,570
2012	1.86%	171,000	46,258	0.00%	73,000	4,380
2013	1.86%	174,000	43,078	0.00%	73,000	2,190
2014	1.86%	177,000	39,841	0.00%	-	-
2015-2018	1.86%	937,000	148,502		-	-
2019-2023	1.86%	1,028,000	58,069		-	-
Totals		<u>\$ 2,820,000</u>	<u>\$ 437,583</u>		<u>\$ 292,000</u>	<u>\$ 21,900</u>

Year Ending 30-Jun	Series 2007 Water Revenue	
	Principal	Interest
2010	\$ 125,000	\$ 422,075
2011	135,000	416,875
2012	140,000	411,375
2013	145,000	405,675
2014	225,000	398,275
2015-2021	1,250,000	2,515,883
2022-2028	1,200,000	1,948,614
2028-2034	6,440,000	656,436
Totals	<u>\$9,660,000</u>	<u>\$7,175,208</u>

The annual debt requirement to maturity, including principal and interest as of June 30, 2009, for the governmental funds is listed in the following tables:

Year Ending 30-Jun	Series 2008 Sales and Franchise tax bond	
	Principal	Interest
2010	\$ -	\$ 416,845
2011	-	383,796
2012	200,000	380,996
2013	200,000	375,071
2014	200,000	368,196
2015-2021	1,205,000	1,706,446
2022-2028	1,530,000	1,403,440
2028-2034	1,955,000	980,462
2035-2039	2,560,000	376,440
Totals	<u>\$7,850,000</u>	<u>\$6,391,692</u>

<u>Year Ending</u> <u>30-Jun</u>	<u>Rate</u>	<u>Installment Obligation</u>	
		<u>Principal</u>	<u>Interest</u>
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	5.00%	110,387	2,906
Totals		<u>\$ 3,377,729</u>	<u>\$ 340,858</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, 2009, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 14,136,747

Cash investments and cash equivalents as of June 30, 2009, consist of the following:

Deposits with financial institutions	\$ 508,177
Petty cash	65
Investments, state treasurer	<u>13,628,505</u>
Total cash and cash equivalents	<u>\$ 14,136,747</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, 2009, the City had the following investments and maturities:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1 Year	More Than 1, Less Than 10 Years	More Than 10 Years
State of Utah Public Treasurer investment fund	\$ 13,628,505	\$ 13,628,505	\$ -	\$ -
Total investments	\$ 13,628,505	\$ 13,628,505	\$ -	\$ -

**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, 2009, 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, 2009, \$258,177 of the \$508,177 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	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>
Special revenue, street lights	\$ 12,052	\$ -	\$ 12,052
Special revenue, street signs	1,789	-	1,789
Special revenue, park impact fees	172,247	-	172,247
Special revenue, flood control	628,041	-	628,041
Special revenue, road impact fees	24,692	-	24,692
Special revenue, fire impact fees	310,493	-	310,493
Special revenue, public safety	196,874	-	196,874
Herriman Parkway	823,861	-	823,861
Bond construction funds	5,762,230	534,734	6,296,964
Bond reserve funds	499,079	484,847	983,926
Water impact fees	-	1,354,460	1,354,460
	<u>\$ 8,431,358</u>	<u>\$ 2,374,041</u>	<u>\$ 10,805,399</u>

**9. INTEREST EXPENSE**

The proprietary fund incurred \$457,119 in interest expense of which \$457,119 was charged to expense and \$0 was capitalized.

**10. RESTRICTED CASH**

The City has restricted cash of \$2,225,493 for impact fees, \$6,779,024 for debt service in the governmental funds, \$1,889,193 for impact fees and 1,677,722 for debt service in the enterprise fund.

**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. INTERLOCAL AGREEMENTS AND SERVICE DISTRICTS**

The City participates in the following services agreements:

- South Jordan Special Service District
- Member of the Salt Lake County Fire District
- Salt Lake County Law Enforcement Contract
- Salt Lake County Animal Control
- Salt Lake County Public Works
- Jordan Valley Water Conservatory District

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

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

The City obtained fixed assets as contributions of \$ 2,890,351

**16. OBLIGATION UNDER CAPITAL LEASE**

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

Capital lease for equipment during the year ended June 30, 2009, was \$274,290. 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, 2009. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2009	\$ 9,685
June 30, 2010	9,623
June 30, 2011	11,901
June 30, 2012	50,493
Thereafter	-
Totals	<u>81,702</u>
Less amounts representing interest	<u>(5,099)</u>
Present value	76,603
Less current portion	<u>(40,839)</u>
Long term	<u>\$ 35,764</u>

The depreciation expense from these assets was \$338,089 in 2009. 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 in the governmental funds during the year ended June 30, 2009, was \$1,526,539. 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, 2009.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2009	\$ 384,688
June 30, 2010	170,523
June 30, 2011	170,523
June 30, 2012	106,835
Thereafter	35,650
Totals	<u>868,219</u>
Less amounts representing interest	<u>(103,291)</u>
Present value	764,928
Less current portion	<u>(336,947)</u>
Long term	<u>\$ 427,981</u>

**17. NEW ISSUED ACCOUNTING STANDARDS**

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

- 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, 2009

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Basis	(Unfavorable) Variance with Final Budget
<b>REVENUES</b>					
General property taxes	\$ 385,000	\$ 26,430	\$ 411,430	\$ 401,978	\$ (9,452)
Sales, use, and excise taxes	1,937,065	(458,495)	1,478,570	1,671,217	192,647
Franchise taxes	1,074,000	(74,000)	1,000,000	1,002,562	2,562
Licenses	50,000	-	50,000	51,474	1,474
Permits	1,072,945	(130,000)	942,945	945,790	2,845
Interest	228,000	-	228,000	72,684	(155,316)
Intergovernmental	723,500	(151,500)	572,000	590,830	18,830
Fines	265,000	(111,000)	154,000	153,606	(394)
Charges for services	1,011,650	145,084	1,156,734	524,968	(631,766)
Grants	23,000	-	23,000	44,299	21,299
Sale of assets	-	-	-	34,303	34,303
Miscellaneous	73,722	-	73,722	106,983	33,261
Total revenues	<u>6,843,882</u>	<u>(753,481)</u>	<u>6,090,401</u>	<u>5,600,694</u>	<u>(489,707)</u>
<b>EXPENDITURES</b>					
Administrative	1,464,429	(194,429)	1,270,000	1,261,618	8,382
Facilities	313,797	(63,797)	250,000	249,074	926
Information technology	365,825	19,175	385,000	379,668	5,332
Highways and streets	1,236,839	(386,839)	850,000	787,372	62,628
Street lights	379,834	(69,834)	310,000	309,361	639
Storm drain maintenance	285,414	(100,414)	185,000	183,938	1,062
Street Signs	90,223	(15,233)	74,990	68,120	6,870
Cemetery	51,097	(10,000)	41,097	38,730	2,367
Public safety	292,181	87,819	380,000	374,437	5,563
Parks and recreation	1,598,594	(21,394)	1,577,200	1,503,684	73,516
Community affairs	527,637	(128,637)	399,000	398,757	243
Engineering	244,485	45,515	290,000	272,810	17,190
Fleet management	84,961	30,739	115,700	115,506	194
Human resources	121,905	(14,805)	107,100	107,031	69
Community development	324,661	355,339	680,000	578,270	101,730
Total expenditures	<u>7,381,882</u>	<u>(466,795)</u>	<u>6,915,087</u>	<u>6,628,376</u>	<u>286,711</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(538,000)</u>	<u>(286,686)</u>	<u>(824,686)</u>	<u>(1,027,682)</u>	<u>(202,996)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers out	-	-	-	-	-
Transfers in	-	1,150,000	1,150,000	680,000	(470,000)
Lease proceeds	538,000	-	538,000	499,900	(38,100)
Total other financing sources	<u>538,000</u>	<u>1,150,000</u>	<u>1,688,000</u>	<u>1,179,900</u>	<u>(508,100)</u>
Net change in fund balance	-	863,314	863,314	152,218	(711,096)
FUND BALANCE, JULY 1, 2008	<u>848,729</u>	<u>848,729</u>	<u>848,729</u>	<u>848,729</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 848,729</u>	<u>\$ 1,712,043</u>	<u>\$ 1,712,043</u>	<u>\$ 1,000,947</u>	<u>\$ (711,096)</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	\$ -	\$ -	\$ -	\$ 2,184	\$ 2,184
Intergovernmental	-	3,991,995	3,991,995	3,990,000	(1,995)
Total revenues	-	3,991,995	3,991,995	3,992,184	189
<b>EXPENDITURES</b>					
Capital Outlay	-	5,600,000	5,600,000	5,053,512	546,488
Total expenditures	-	5,600,000	5,600,000	5,053,512	546,488
Excess of revenues over expenditures (usage of fund balance)	-	(1,608,005)	(1,608,005)	(1,061,328)	546,677
Net change in fund balance	-	(1,608,005)	(1,608,005)	(1,061,328)	546,677
FUND BALANCE, JULY 1, 2007	1,885,189	1,885,189	1,885,189	1,885,189	-
FUND BALANCE, JUNE 30, 2008	\$ 1,885,189	\$ 277,184	\$ 277,184	\$ 823,861	\$ 546,677

# HERRIMAN CITY

## Budgetary Comparison Schedule Road Special Revenue Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ 75,000	\$ 75,000	\$ 24,508	\$ (50,492)
Charges for services	-	-	-	869,310	-
Impact fees	211,500	758,500	970,000	711,698	(258,302)
Total revenues	<u>211,500</u>	<u>833,500</u>	<u>1,045,000</u>	<u>1,605,516</u>	<u>(308,794)</u>
Expenditures					
Capital outlay	<u>1,069,724</u>	<u>3,500,000</u>	<u>4,569,724</u>	<u>3,774,946</u>	<u>794,778</u>
Total expenditures	<u>1,069,724</u>	<u>3,500,000</u>	<u>4,569,724</u>	<u>3,774,946</u>	<u>794,778</u>
Excess of revenues over expenditures	<u>(858,224)</u>	<u>(2,666,500)</u>	<u>(3,524,724)</u>	<u>(2,169,430)</u>	<u>485,984</u>
Net change in fund balance	(858,224)	(2,666,500)	(3,524,724)	(2,169,430)	485,984
FUND BALANCE, JULY 1, 2008	<u>2,194,122</u>	<u>2,194,122</u>	<u>2,194,122</u>	<u>2,194,122</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 1,335,898</u>	<u>\$ (472,378)</u>	<u>\$ (1,330,602)</u>	<u>\$ 24,692</u>	<u>\$ 485,984</u>

**SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009

	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Public Safety	New Development Street Signs	Special Revenue Street Lights	Special Revenue Fire Impact	Debt Service	Totals
<b>ASSETS</b>								
Cash, unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311,838	\$ 311,838
Cash, restricted	206,079	644,481	200,970	1,789	13,052	310,493	-	1,376,864
Total assets	\$ 206,079	\$ 644,481	\$ 200,970	\$ 1,789	\$ 13,052	\$ 310,493	\$ 311,838	\$ 1,688,702
<b>LIABILITIES</b>								
Accounts payable	\$ 33,832	\$ 16,440	\$ 3,197	\$ -	\$ 1,000	\$ -	\$ -	\$ 54,469
Accrued liabilities	-	-	899	-	-	-	-	899
Total liabilities	33,832	16,440	4,096	-	1,000	-	-	55,368
<b>Fund balances</b>								
Unrestricted	-	-	-	-	-	-	311,838	311,838
Restricted bond sinking fund	-	-	-	-	-	-	-	-
Restricted	172,247	628,041	196,874	1,789	12,052	310,493	-	1,321,496
Total fund balance	172,247	628,041	196,874	1,789	12,052	310,493	311,838	1,633,334
Total liabilities and fund balance	\$ 206,079	\$ 644,481	\$ 200,970	\$ 1,789	\$ 13,052	\$ 310,493	\$ 311,838	\$ 1,688,702

**HERRIMAN CITY**

**Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances  
Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2009**

	Special Revenue Parks	Special Revenue Flood Control	Special Revenue Public Safety	Special Revenue Street Signs	Special Revenue Street Lights	Special Revenue Fire Impact	Debt Service	Totals
<b>REVENUES</b>								
Impact fees	\$ 1,116,711	\$ -	\$ -	\$ 1,652	\$ -	\$ 177,570	\$ -	\$ 1,295,933
Interest	1,617	11,764	-	-	-	-	14,816	28,197
Charges for services	111,000	925,001	1,588,876	-	67,784	-	-	2,692,661
Total revenues	1,229,328	936,765	1,588,876	1,652	67,784	177,570	14,816	4,016,791
<b>EXPENDITURES</b>								
Capital outlay	679,106	877,854	-	269	114,556	-	-	1,671,785
Public Safety	-	-	1,561,962	-	-	-	-	1,561,962
Debt service	-	-	-	-	-	-	15,430	15,430
Interest	679,106	877,854	1,561,962	269	114,556	-	15,430	3,249,177
Total expenditures	550,222	58,911	26,914	1,383	(46,772)	177,570	(614)	767,614
Revenues over (under) expenditures								
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	(400,000)	-	-	-	-	-	-	(400,000)
Operating transfers out	(400,000)	-	-	-	-	-	-	(400,000)
Total other financing sources (uses)								
Revenues and other sources over expenditures and other uses	150,222	58,911	28,914	1,383	(46,772)	177,570	(614)	367,614
<b>FUND BALANCE, JULY 1, 2008</b>	22,025	569,130	169,960	406	58,824	132,923	312,452	1,265,720
<b>FUND BALANCE, JUNE 30, 2009</b>	\$ 172,247	\$ 628,041	\$ 196,874	\$ 1,789	\$ 12,052	\$ 310,493	\$ 311,838	\$ 1,633,334

# HERRIMAN CITY

## Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 124,825	\$ 1,103,175	\$ 1,228,000	\$ 1,116,711	\$ (111,289)
Interest	-	1,000	1,000	1,617	617
Charges for services	-	-	-	111,000	111,000
Total revenues	<u>124,825</u>	<u>1,104,175</u>	<u>1,229,000</u>	<u>1,229,328</u>	<u>328</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>120,000</u>	<u>630,000</u>	<u>750,000</u>	<u>679,106</u>	<u>70,894</u>
Total expenditures	<u>120,000</u>	<u>630,000</u>	<u>750,000</u>	<u>679,106</u>	<u>70,894</u>
Excess revenues over expenditures	4,825	474,175	479,000	550,222	71,222
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(400,000)	(400,000)	(400,000)	-
Revenue and other sources over (under) expenditures and other uses	4,825	74,175	79,000	150,222	71,222
FUND BALANCE, JULY 1, 2008	<u>22,025</u>	<u>22,025</u>	<u>22,025</u>	<u>22,025</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 26,850</u>	<u>\$ 96,200</u>	<u>\$ 101,025</u>	<u>\$ 172,247</u>	<u>\$ 71,222</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Charges for services	\$ 298,000	\$ 384,000	\$ 682,000	\$ 925,001	\$ 243,001
Interest	-	48,000	48,000	11,764	(36,236)
Total revenues	<u>298,000</u>	<u>432,000</u>	<u>730,000</u>	<u>936,765</u>	<u>206,765</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>617,506</u>	<u>800,000</u>	<u>1,417,506</u>	<u>877,854</u>	<u>539,652</u>
Total expenditures	<u>617,506</u>	<u>800,000</u>	<u>1,417,506</u>	<u>877,854</u>	<u>539,652</u>
Excess revenues over expenditures	(319,506)	(368,000)	(687,506)	58,911	746,417
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	(319,506)	(368,000)	(687,506)	58,911	746,417
FUND BALANCE, JULY 1, 2008	<u>569,130</u>	<u>569,130</u>	<u>569,130</u>	<u>569,130</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 249,624</u>	<u>\$ 201,130</u>	<u>\$ (118,376)</u>	<u>\$ 628,041</u>	<u>\$ 746,417</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Public Safety Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Charges for services	\$ -	\$ 1,588,876	\$ 1,588,876	\$ 1,588,876	\$ -
Interest	-	-	-	-	-
Total revenues	-	1,588,876	1,588,876	1,588,876	-
<b>EXPENDITURES</b>					
Public Safety	-	1,593,438	1,593,438	1,561,962	31,476
Total expenditures	-	1,593,438	1,593,438	1,561,962	31,476
Excess of revenues over expenditures (usage of fund balance)	-	(4,562)	(4,562)	26,914	31,476
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	-	(4,562)	(4,562)	26,914	31,476
FUND BALANCE, JULY 1, 2008	169,960	169,960	169,960	169,960	-
FUND BALANCE, JUNE 30, 2009	\$ 169,960	\$ 165,398	\$ 165,398	\$ 196,874	\$ 31,476

# HERRIMAN CITY

## Budgetary Comparison Schedule Street signs Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 12,000	\$ -	\$ 12,000	\$ 1,652	\$ (10,348)
Interest	-	-	-	-	-
Total revenues	12,000	-	12,000	1,652	(10,348)
<b>EXPENDITURES</b>					
Capital outlay	11,000	-	11,000	269	10,731
Total expenditures	11,000	-	11,000	269	10,731
Excess of revenues over expenditures (usage of fund balance)	1,000	-	1,000	1,383	383
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	1,000	-	1,000	1,383	383
FUND BALANCE, JULY 1, 2008	406	406	406	406	-
FUND BALANCE, JUNE 30, 2009	\$ 1,406	\$ 406	\$ 1,406	\$ 1,789	\$ 383

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 250,000	\$ (188,000)	\$ 62,000	\$ 67,784	\$ 5,784
Interest	-	-	-	-	-
Total revenues	250,000	(188,000)	62,000	67,784	5,784
EXPENDITURES					
Capital outlay	235,469	(114,969)	120,500	114,556	5,944
Total expenditures	235,469	(114,969)	120,500	114,556	5,944
Excess of revenues over expenditures (usage of fund balance)	14,531	(73,031)	(58,500)	(46,772)	11,728
OTHER FINANCES SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	14,531	(73,031)	(58,500)	(46,772)	11,728
FUND BALANCE, JULY 1, 2008	58,824	58,824	58,824	58,824	-
FUND BALANCE, JUNE 30, 2009	\$ 73,355	\$ (14,207)	\$ 324	\$ 12,052	\$ 11,728

# HERRIMAN CITY

## Budgetary Comparison Schedule Fire Impact Fees Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ 15,287	\$ 160,988	\$ 176,275	\$ 177,570	\$ 1,295
Total revenues	<u>15,287</u>	<u>160,988</u>	<u>176,275</u>	<u>177,570</u>	<u>1,295</u>
EXPENDITURES					
Public Safety	-	309,436	309,436	-	309,436
Total expenditures	<u>-</u>	<u>309,436</u>	<u>309,436</u>	<u>-</u>	<u>309,436</u>
Excess of revenues over expenditures (usage of fund balance)	<u>15,287</u>	<u>(148,448)</u>	<u>(133,161)</u>	<u>177,570</u>	<u>310,731</u>
Net change in fund balance	15,287	(148,448)	(133,161)	177,570	310,731
FUND BALANCE, JULY 1, 2008	<u>132,923</u>	<u>132,923</u>	<u>132,923</u>	<u>132,923</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2009	<u>\$ 148,210</u>	<u>\$ (15,525)</u>	<u>\$ (238)</u>	<u>\$ 310,493</u>	<u>\$ 310,731</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Interest	\$ 12,000	\$ (2,000)	\$ 10,000	\$ 14,816	\$ 4,816
Total revenues	12,000	(2,000)	10,000	14,816	4,816
<b>EXPENDITURES</b>					
Debt service					
Principal	-	-	-	-	-
Interest	-	15,500	15,500	15,430	70
Total expenditures	-	15,500	15,500	15,430	70
Excess revenues over expenditures	12,000	(17,500)	(5,500)	(614)	4,886
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	12,000	(17,500)	(5,500)	(614)	4,886
FUND BALANCE, JULY 1, 2008	612,452	312,452	312,452	312,452	-
FUND BALANCE, JUNE 30, 2009	\$ 624,452	\$ 294,952	\$ 306,952	\$ 311,838	\$ 4,886

# HERRIMAN CITY

## Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Sale of assets	-	968,676	968,676	2,132,074	1,163,398
Intergovernmental	-	1,300,000	1,300,000	-	(1,300,000)
Interest income	-	5,944	5,944	-	(5,944)
Miscellaneous	-	-	-	46,050	46,050
Total revenues	-	2,274,620	2,274,620	2,178,124	(96,496)
<b>EXPENDITURES</b>					
Capital outlay	-	8,922,280	8,656,617	2,757,732	5,898,885
Interest on bonds	-	52,000	52,000	51,132	868
Bond costs	-	213,663	213,663	213,663	-
Total expenditures	-	9,187,943	8,922,280	3,022,527	5,899,753
Excess of revenues over expenditures (usage of fund balance)	-	(6,913,323)	(6,647,660)	(844,403)	5,803,257
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers out	-	-	-	(280,000)	(280,000)
Bond proceeds	-	6,800,000	6,800,000	7,850,000	1,050,000
Total other financing sources	-	6,800,000	6,800,000	7,570,000	770,000
Net change in fund balance	-	(113,323)	152,340	6,725,597	6,573,257
FUND BALANCE, JULY 1, 2008	340,658	340,658	340,658	340,658	-
FUND BALANCE, JUNE 30, 2009	\$ 340,658	\$ 227,335	\$ 492,998	\$ 7,066,255	\$ 6,573,257



# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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## 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, 2009

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, 2009, and have issued our report thereon dated December 15, 2009. 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, 2009.

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.

Our Audit does not provide a legal determination on the City's compliance with these requirements.

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

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In our opinion, Herriman City complied, in all material respects, with the general compliance requirements identified above for the years ended June 30, 2009.

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

This report is intended solely for the information and use of the board of directors, management, and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.



GILBERT & STEWART  
*Certified Public Accountants*



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A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIONEY S. GILBERT, CPA  
JAMES E. STEWART, 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, 2009

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, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2009. 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 opinions 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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City'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 City'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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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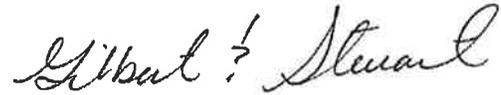
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Compliance and Other Matters

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,

A handwritten signature in cursive script that reads "Gilbert Stewart". The signature is written in dark ink and is positioned above the printed name of the firm.

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RONALD J. STEWART, CPA

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

The Honorable Mayor and City Council  
Herriman City, Utah

December 15, 2009

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, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 15, 2009. Professional standards also require that we communicate to you the following information related to our audit.

#### 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 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 City's financial statements was:

Management's estimate of the useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear of those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were 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

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misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's 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, 2009.

#### *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.

### Utah State Findings – Current Year

#### **09-1** Justice Courts Compliance

**Finding:** Utah Code Section 51-4-2(4)(a) states that all justice courts having funds due to the State, shall on or before the 10<sup>th</sup> day of the month, pay all funds received within the preceding month to the appropriate public treasurer. We noted that not all funds were paid within the 10 day limit.

**Recommendation:** We recommend that the City make timely deposits to bring the City into Compliance with State law.

**City's Response:** We concur with the auditors finding and will make the necessary adjustment.

#### **09-2** Utah Retirement System Compliance

**Finding:** State code requires a formal action to effect its pickup of a percentage of the required member contribution for all employees required to contribute to the Utah Retirement Systems Contributory Plan.

**Recommendation:** We recommend that the City make the election to be in compliance with State Law.

**City's Response:** We concur with the auditors finding and will make the necessary adjustment.

Utah State Findings – Prior 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.

**Current Status:** City is in compliance.

This information is intended solely for the use of the board of directors, management, and the 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*