



**HERRIMAN CITY**

**Annual Financial Report  
Fiscal Year Ended June 30, 2010  
(With Auditor's Report Therein)**

# HERRIMAN CITY

## Table of Contents

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### Financial Section:

Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Fund Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	13
Government Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	17
Proprietary Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds .....	19
Statement of Cash Flows – Proprietary Funds .....	20
Notes to the Financial Statements .....	21

### Required Supplementary Information:

Budgetary Comparison Schedule – General Fund .....	37
Budgetary Comparison Schedule –Public Safety Special Revenue.....	38
Budgetary Comparison Schedule –Town Center Special Revenue .....	39

### Supplementary Information:

Governmental Funds	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-major Governmental Funds .....	41
Budgetary Comparison Schedules:	
Parks Special Revenue Fund .....	42
Flood Control Special Revenue Fund .....	43
Herriman Parkway Special Revenue Fund .....	44
Roads Special Revenue Fund .....	45
Street Signs Special Revenue Fund .....	46
Street Lights Special Revenue Fund .....	47
Fire Impact Special Revenue Fund.....	48
Debt Service Fund .....	49
Capital Improvement Fund.....	50

Auditors' Opinion on State Compliance.....	51
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . .....	53



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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
Herriman City, Utah

December 16, 2010

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 Herriman City, Utah as of and for the year ended June 30, 2010, 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 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, 2010, 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 16, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Herriman City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
GILBERT & STEWART  
*Certified Public Accountants*

# HERRIMAN CITY

## Management's Discussion and Analysis Fiscal Year Ended June 30, 2010

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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, 2010. 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 \$201,856,332 (net assets). Of this amount, \$7,811,072 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$33,940,014.

The City's governmental activities reported a combined ending fund balance of \$161,671,610. Of the combined total fund balance, \$6,826,723 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, 2010, totaled \$1,121,220 and is 16% of the general fund total revenues for the year. Total debt for Herriman City is approximately \$41,418,041. The City issued Herriman City bonds series 2009 for \$18,295,000.

### **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 public safety fund and the town center special revenue fund, all of which are deemed major funds. Information from the other funds is presented in a single combined column. Individual presentations for these non-major funds are contained in individual information shown after the notes to the financial statements as listed in the table of contents. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

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

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

## **OTHER INFORMATION**

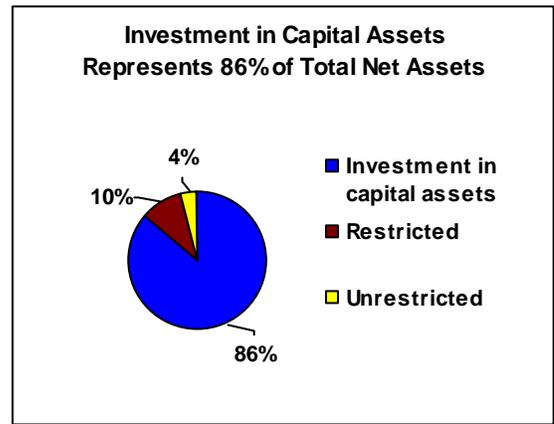
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Herriman City Statement of Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current assets	\$ 7,519,874	\$ 11,220,937	\$ 2,327,860	\$ 3,308,902	\$ 9,847,734	\$ 14,529,839
Non-current assets	1,497,848	789,710	273,349	484,847	1,771,197	1,274,557
Capital assets	164,422,613	135,432,375	50,395,974	43,871,409	214,818,587	179,303,784
Other assets	18,799,025	209,554	244,373	255,933	19,043,398	465,487
Total assets	192,239,360	147,652,576	53,241,556	47,921,091	245,480,916	195,573,667
Current liabilities	2,675,131	2,888,138	749,436	1,303,331	3,424,567	4,191,469
Non-current liabilities	27,892,619	10,812,080	12,307,398	12,653,800	40,200,017	23,465,880
Total liabilities	30,567,750	13,700,218	13,056,834	13,957,131	43,624,584	27,657,349
Net assets						
Investment in capital assets, net of related debt	135,682,327	123,489,827	38,206,965	31,080,624	173,889,292	154,570,451
Restricted	19,162,560	8,431,358	993,408	2,374,041	20,155,968	10,805,399
Unrestricted	6,826,723	2,031,173	984,349	509,295	7,811,072	2,540,468
Total net assets	161,671,610	133,952,358	40,184,722	33,963,960	201,856,332	167,916,318
Total liabilities and net assets	\$ 192,239,360	\$ 147,652,576	\$ 53,241,556	\$ 47,921,091	\$ 245,480,916	\$ 195,573,667

By far, the largest component of Herriman City's net assets is its investment in capital assets. The 86% 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.



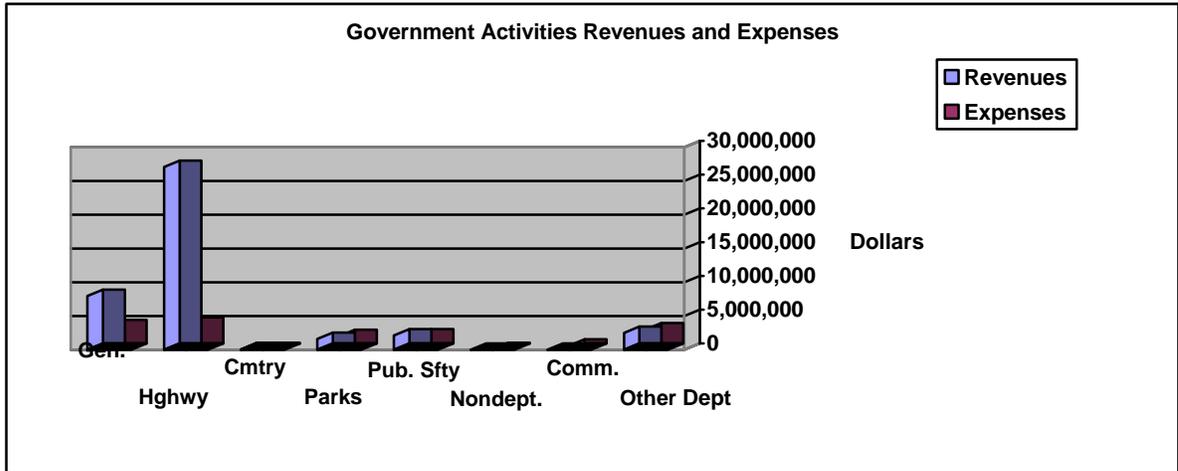
An additional part of net assets (10%) are assets that are subject to external restrictions on how they may be expended. The remaining 4% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

### Herriman City's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>				
Charges for services	\$ 8,105,872	\$ 6,478,355	\$ 4,043,059	\$ 4,016,901
Operating grants and contributions	661,748	635,128	-	-
Capital grants and contributions	32,863,607	19,546,950	5,670,804	4,846,587
General Revenues				
Property taxes, levied for general purposes	471,777	401,978	-	-
Franchise taxes	1,019,646	996,562	-	-
Sales taxes	1,636,170	1,671,217	-	-
Gain (loss) from sale of assets	17,905	691,807	9,009	-
Other revenues	130,690	10,681	-	-
Investment earnings	46,422	173,622	19,486	55,628
Total revenues	<u>44,953,837</u>	<u>30,606,300</u>	<u>9,742,358</u>	<u>8,919,116</u>
<b>EXPENSES</b>				
General government	3,554,249	1,836,481	-	-
Facilities	355,885	223,012	-	-
Information technology	436,256	355,015	-	-
Highway and streets	3,892,068	2,767,154	-	-
Storm drain	891,049	957,519	-	-
Cemetery	56,562	48,921	-	-
Parks	2,015,792	2,001,692	-	-
Public safety	2,119,827	1,917,999	-	-
Nondepartmental	404,821	123,937	-	-
Community development	612,978	587,011	-	-
Community affairs	476,458	343,309	-	-
Street lights	162,196	279,007	-	-
Street signs	49,384	65,982	-	-
Engineering	656,880	263,575	-	-
Interest on long-term debt	450,180	414,974	-	-
Water	-	-	4,621,596	4,061,314
Total expenses	<u>16,134,585</u>	<u>12,185,588</u>	<u>4,621,596</u>	<u>4,061,314</u>
<b>OTHER SOURCES</b>				
Transfers in	-	-	1,100,000	-
Transfers out	(1,100,000)	-	-	-
Total other sources	<u>(1,100,000)</u>	<u>-</u>	<u>1,100,000</u>	<u>-</u>
<b>CHANGES IN NET ASSETS</b>	27,719,252	18,420,712	6,220,762	4,857,802
Net assets, July 1, 2009	<u>133,952,358</u>	<u>115,531,646</u>	<u>33,963,960</u>	<u>29,106,158</u>
Net assets, June 30, 2010	<u>\$ 161,671,610</u>	<u>\$ 133,952,358</u>	<u>\$ 40,184,722</u>	<u>\$ 33,963,960</u>

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Governmental activities' net assets increased by \$27,719,252 for the year ended June 30, 2010. Governmental activities contributed to 82% 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.

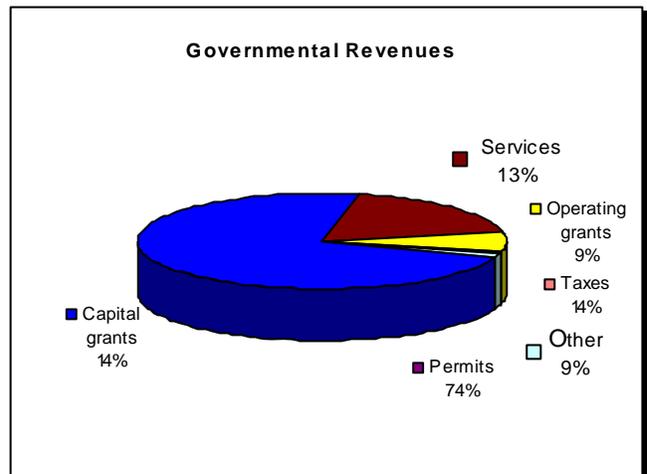
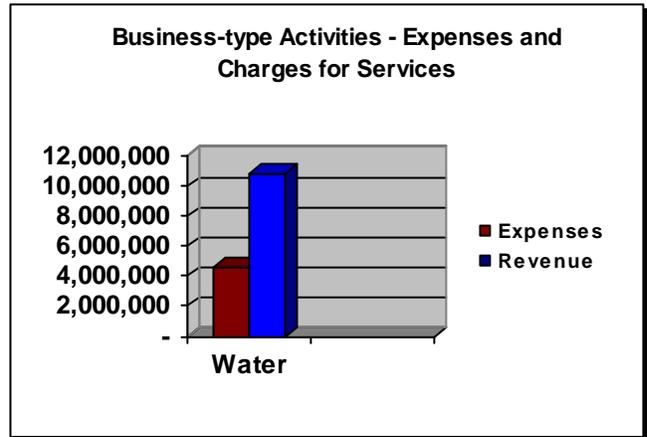


Business-type activities contributed an amount of \$6,220,762 or 18% of the total increase to net assets. The most significant reason for this increase in business-type activities is a capital contribution from developers.

**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, 2010.

For the period ended June 30, 2010, the City's governmental funds reported combined net assets in the amount of \$7,594,203 with a decrease of \$2,954,884 compared with the prior fiscal year. Of the total balance at year-end, \$1,303,083 is unreserved and undesignated. Of the remaining \$6,291,121 of combined net assets, \$1,874,688 is reserved for servicing the City's debt, with the remaining \$4,416,433 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2010, the general fund's unreserved fund balance was \$1,121,220. The total fund balance of the general fund for Herriman City increased by \$120,273. 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 Public Safety special revenue fund balance decreased \$22,529. The fund balance in the capital improvement fund decreased by \$6,521,451.

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 \$984,349. Discussions about the finances of this fund are addressed in the City's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original and final amended budgets for the general fund amounted to a total increase in revenues of \$332,729. Most of the increase was a result of increase in revenues from building permits, sales taxes, and other general revenues. The budget in the public safety special revenue was increased to establish a budget for the fund. The town center special revenue fund was increased from a bond ordinance establishing special assessment bonds. The 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 bond proceeds from other years being spent this year for 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 \$214,818,587 (net of \$28,485,563 accumulated depreciation) at June 30, 2010. 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 \$111,297. The City's investment in net capital assets equals nearly 88% of total assets. Governmental activities net capital assets to governmental activities assets equaled 77% while the business-type activities percentage was 23%.

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

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Land	\$ 54,997,622	\$ 51,088,799	\$ 1,457,212	\$ 1,457,212
Easements	4,787,615	1,618,802	-	-
Infrastructure	927,113	927,113	-	-
Buildings	6,238,620	6,238,620	58,400	58,400
Water rights	-	-	6,978,326	6,732,778
Improvements, other than buildings	114,895,790	83,538,975	47,311,117	39,173,232
Vehicles	2,500,513	2,577,737	325,737	296,522
Office furniture and equipment	2,303,032	2,296,668	411,756	448,807
Construction in progress	111,297	2,652,623	-	403,670
Accumulated depreciation	(22,338,989)	(15,506,962)	(6,146,574)	(4,699,212)
Net book value	<u>\$ 164,422,613</u>	<u>\$ 135,432,375</u>	<u>\$ 50,395,974</u>	<u>\$ 43,871,409</u>

At June 30, 2010, Herriman City's total debt amounted to \$12,677,755 incurred by the City's business-type activities. All of the City's debt is known as revenue bonds and special assessments 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 \$2,411,367.

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 7,850,000	\$ 7,850,000	\$ 12,409,000	\$ 12,772,000	\$ 20,259,000	\$ 20,622,000
Special assessment bonds	18,295,000	-	-	-	18,295,000	-
Bond Discount or premium	(244,063)	(50,109)	193,045	198,115	(51,018)	148,006
Installment obligation	2,411,367	3,377,729	-	-	2,411,367	3,377,729
Capital leases	427,982	764,928	75,710	76,603	503,692	841,531
Total	<u>\$ 28,740,286</u>	<u>\$ 11,942,548</u>	<u>\$ 12,677,755</u>	<u>\$ 13,046,718</u>	<u>\$ 41,418,041</u>	<u>\$ 24,989,266</u>

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

As of July 2010, the state unemployment rate was 7.4%, 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 2010 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, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Restricted	\$ 5,089,982	\$ 721,939	\$ 5,811,921
Unrestricted	1,169,289	1,155,281	2,324,570
Receivables			
Property, and franchise and excise taxes	908,403	-	908,403
Receivables	351,560	-	351,560
Accounts, less allowance for doubtful accounts of \$0	-	275,481	275,481
Prepaid expenses	640	-	640
Inventory	-	175,159	175,159
Total current assets	<u>7,519,874</u>	<u>2,327,860</u>	<u>9,847,734</u>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	<u>1,497,848</u>	<u>273,349</u>	<u>1,771,197</u>
Property and equipment, net			
Land and water rights	54,997,622	8,435,539	63,433,161
Easements	4,787,615	-	4,787,615
Infrastructure	737,478	-	737,478
Buildings	5,127,263	50,857	5,178,120
Improvements, other than buildings	97,134,831	41,720,619	138,855,450
Vehicles	549,187	78,533	627,720
Office furniture and equipment	977,320	110,426	1,087,746
Construction in progress	111,297	-	111,297
Net property and equipment	<u>164,422,613</u>	<u>50,395,974</u>	<u>214,818,587</u>
Other non-current assets			
Long term special assessments	18,295,000	-	18,295,000
Bond issue costs, less accumulated amortization of \$65,514	504,025	244,373	748,398
Total other noncurrent assets	<u>18,799,025</u>	<u>244,373</u>	<u>19,043,398</u>
Total noncurrent assets	<u>184,719,486</u>	<u>50,913,696</u>	<u>235,633,182</u>
Total assets	<u>\$ 192,239,360</u>	<u>\$ 53,241,556</u>	<u>\$ 245,480,916</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets, Continued June 30, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 676,290	\$ 273,450	\$ 949,740
Current portion of long-term debt payable from restricted assets	-	376,000	376,000
Current portion of capital leases	144,376	30,929	175,305
Current portion installment obligation	1,042,830	-	1,042,830
Accrued liabilities	244,448	39,659	284,107
Deferred revenue	393,189	-	393,189
Accrued interest, payable from restricted assets	173,998	29,398	203,396
Total current liabilities	<u>2,675,131</u>	<u>749,436</u>	<u>3,424,567</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term compensation liability	229,949	36,572	266,521
Bonds payable from restricted sources	25,900,937	12,226,045	38,126,982
Capital leases	283,606	44,781	328,387
Installment obligations	1,368,537	-	1,368,537
Construction bonds	109,590	-	109,590
Total noncurrent liabilities	<u>27,892,619</u>	<u>12,307,398</u>	<u>40,200,017</u>
Total liabilities	<u>30,567,750</u>	<u>13,056,834</u>	<u>43,624,584</u>
<b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt	135,682,327	38,206,965	173,889,292
Restricted for:			
Capital projects	490,679	720,059	1,210,738
Debt service	18,295,000	-	18,295,000
Other restricted	376,881	273,349	650,230
Unrestricted	6,826,723	984,349	7,811,072
Total net assets	<u>161,671,610</u>	<u>40,184,722</u>	<u>201,856,332</u>
Total liabilities and net assets	<u>\$ 192,239,360</u>	<u>\$ 53,241,556</u>	<u>\$ 245,480,916</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Activities Fiscal Year Ended June 30, 2010

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 3,554,249	\$ 4,555,575	\$ 32,100	\$ 3,395,022	\$ 4,428,448	\$ -	\$ 4,428,448
Facilities	355,885	-	-	-	(355,885)	-	(355,885)
Information technology	436,256	-	-	-	(436,256)	-	(436,256)
Highway and streets	3,892,068	574,988	609,687	25,878,885	23,171,492	-	23,171,492
Storm drain	891,049	98,095	-	2,725,256	1,932,302	-	1,932,302
Cemetery	56,562	34,720	-	-	(21,842)	-	(21,842)
Public safety	2,119,827	2,110,844	19,961	-	10,978	-	10,978
Parks	2,015,792	731,650	-	864,444	(419,698)	-	(419,698)
Non-departmental	404,821	-	-	-	(404,821)	-	(404,821)
Community development	612,978	-	-	-	(612,978)	-	(612,978)
Community affairs	476,458	-	-	-	(476,458)	-	(476,458)
Street lights	162,196	-	-	-	(162,196)	-	(162,196)
Street signs	49,384	-	-	-	(49,384)	-	(49,384)
Engineering	656,880	-	-	-	(656,880)	-	(656,880)
Interest on long-term debt	450,180	-	-	-	(450,180)	-	(450,180)
Total government activities	<u>16,134,585</u>	<u>8,105,872</u>	<u>661,748</u>	<u>32,863,607</u>	<u>25,496,642</u>	<u>-</u>	<u>25,496,642</u>
Business-type activities							
Water	4,621,596	4,043,059	-	5,670,804	-	5,092,267	5,092,267
Total business-type activities	<u>4,621,596</u>	<u>4,043,059</u>	<u>-</u>	<u>5,670,804</u>	<u>-</u>	<u>5,092,267</u>	<u>5,092,267</u>
Total primary government	<u>\$ 20,756,181</u>	<u>\$ 12,148,931</u>	<u>\$ 661,748</u>	<u>\$ 38,534,411</u>	<u>25,496,642</u>	<u>5,092,267</u>	<u>30,588,909</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					471,777	-	471,777
Franchise taxes					1,019,646	-	1,019,646
Sales taxes					1,636,170	-	1,636,170
Gain or loss on sale of assets					17,905	9,009	26,914
Other revenues					130,690	-	130,690
Investment earnings					46,422	19,486	65,908
Transfers					(1,100,000)	1,100,000	-
Total general revenues, special items, and transfers					<u>2,222,610</u>	<u>1,128,495</u>	<u>3,351,105</u>
Changes in net assets					27,719,252	6,220,762	33,940,014
Net assets, July 1, 2009					<u>133,952,358</u>	<u>33,963,960</u>	<u>167,916,318</u>
Net assets, June 30, 2010					<u>\$ 161,671,610</u>	<u>\$ 40,184,722</u>	<u>\$ 201,856,332</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Balance Sheet Governmental Funds June 30, 2010

	<u>General</u>	<u>Capital Improvements</u>	<u>Special Revenue Public Safety</u>	<u>Special Revenue Towne Center</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
ASSETS						
Cash and cash equivalents	\$ 814,892	\$ 354,391	\$ -	\$ -	\$ 6	\$ 1,169,289
Receivables						
Property, franchise, and excise tax	908,403	-	-	-	-	908,403
Other receivables, less allowance for doubtful loans of \$0	258,976	-	-	-	92,584	351,560
Special assessments	-	-	-	18,295,000	-	18,295,000
Due from other funds	-	-	-	-	-	-
Prepaid expenses	640	-	-	-	-	640
Restricted cash and cash equivalents	-	376,882	312,173	5,350,978	547,796	6,587,829
Total assets	<u>\$ 1,982,911</u>	<u>\$ 731,273</u>	<u>\$ 312,173</u>	<u>\$ 23,645,978</u>	<u>\$ 640,386</u>	<u>\$ 27,312,721</u>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES						
Accounts payable	\$ 114,462	\$ 186,469	\$ 137,829	\$ 53,280	\$ 184,249	\$ 676,289
Accrued liabilities	244,450	-	-	-	-	244,450
Construction bonds	109,590	-	-	-	-	109,590
Deferred revenue	393,189	-	-	18,295,000	-	18,688,189
Total liabilities	<u>861,691</u>	<u>186,469</u>	<u>137,829</u>	<u>18,348,280</u>	<u>184,249</u>	<u>19,718,518</u>
FUND BALANCES						
Unreserved	1,121,220	167,921	-	13,935	6	1,303,082
Reserved for:						
Bond sinking funds	-	376,883	-	1,497,805	-	1,874,688
Other purposes	-	-	174,344	3,785,958	456,131	4,416,433
Total fund balances	<u>1,121,220</u>	<u>544,804</u>	<u>174,344</u>	<u>5,297,698</u>	<u>456,137</u>	<u>7,594,203</u>
Total liabilities and fund balances	<u>\$ 1,982,911</u>	<u>\$ 731,273</u>	<u>\$ 312,173</u>	<u>\$ 23,645,978</u>	<u>\$ 640,386</u>	<u>\$ 27,312,721</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2010

Total Fund Balance		\$ 7,594,203
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	\$ 54,997,622	
Infrastructure	927,113	
Easements	4,787,615	
Buildings	6,238,620	
Improvements, other than buildings	114,895,792	
Office equipment	2,303,033	
Construction in progress	111,297	
Vehicles	2,500,513	
Less accumulated depreciation	<u>(22,338,992)</u>	
Total capital assets		164,422,613
Bond costs are expensed in the governmental funds and capitalized and amortized in the government wide statements.		
		504,025
Special assessment revenue is recognized when the levy is made and when measurable and available in the government funds.		
		18,295,000
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	(229,948)	
Installment obligations	(2,411,367)	
Accrued interest	(173,998)	
Bonds payable	(25,900,937)	
Capital leases	<u>(427,981)</u>	
Total liabilities		<u>(29,144,231)</u>
Total net assets of governmental activities		<u>\$ 161,671,610</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Fiscal Year Ended June 30, 2010

	General	Capital Projects	Public Safety	Special Revenue Town Center	Other Governmental Funds	Totals
<b>REVENUES</b>						
General property taxes	\$ 471,777	\$ -	\$ -	\$ -	\$ -	\$ 471,777
Sales, use, and excise taxes	1,815,621	-	-	-	-	1,815,621
Franchise taxes	840,196	-	-	-	-	840,196
Licenses	51,018	-	-	-	-	51,018
Permits	2,192,058	-	-	-	-	2,192,058
Interest	17,215	-	-	-	3,325	20,540
Intergovernmental	621,702	-	-	-	-	621,702
Fines	158,759	-	-	-	-	158,759
Impact fees	-	-	-	63,380	773,271	836,651
Charges for services	502,553	-	1,690,511	-	445,188	2,638,252
Contributions	-	151,725	-	202,212	-	353,937
Grants	32,100	-	-	-	-	32,100
Sale of assets	46,872	-	-	-	-	46,872
Miscellaneous	259,171	2,224,568	-	1,900	286,190	2,771,829
Total revenues	<u>7,009,042</u>	<u>2,376,293</u>	<u>1,690,511</u>	<u>267,492</u>	<u>1,507,974</u>	<u>12,851,312</u>
<b>EXPENDITURES</b>						
Current						
Administration	1,390,891	-	-	-	10,000	1,400,891
Facilities	352,090	-	-	-	-	352,090
Information technology	450,160	-	-	-	-	450,160
Highway and streets	549,286	-	-	-	-	549,286
Street lights	186,629	-	-	-	-	186,629
Storm drain maintenance	160,656	-	-	-	-	160,656
Street signs	49,384	-	-	-	-	49,384
Cemetery	43,274	-	-	-	-	43,274
Public safety	392,319	-	1,713,040	-	-	2,105,359
Parks and recreations	1,222,735	-	-	-	-	1,222,735
Community affairs	533,239	-	-	-	-	533,239
Engineering	638,274	-	-	-	-	638,274
Fleet management	160,022	-	-	-	-	160,022
Human resources	151,485	-	-	-	-	151,485
Community development	534,325	-	-	-	-	534,325
Capital outlay	-	9,071,744	-	11,963,770	2,810,401	23,845,915
Principal	-	-	-	-	-	-
Bond costs	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	416,448	416,448
Total expenditures	<u>6,814,769</u>	<u>9,071,744</u>	<u>1,713,040</u>	<u>11,963,770</u>	<u>3,236,849</u>	<u>32,800,172</u>
Revenues over (under) expenditures	<u>194,273</u>	<u>(6,695,451)</u>	<u>(22,529)</u>	<u>(11,696,278)</u>	<u>(1,728,875)</u>	<u>(19,948,860)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Lease proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	18,093,976	-	18,093,976
Operating transfers in	100,000	174,000	-	-	114,000	388,000
Operating transfers out	(174,000)	-	-	(1,100,000)	(214,000)	(1,488,000)
Total other financing	<u>(74,000)</u>	<u>174,000</u>	<u>-</u>	<u>16,993,976</u>	<u>(100,000)</u>	<u>16,993,976</u>
Revenue and other sources over (under) expenditures and other uses	120,273	(6,521,451)	(22,529)	5,297,698	(1,828,875)	(2,954,884)
FUND BALANCE, JULY 1, 2009	<u>1,000,947</u>	<u>7,066,255</u>	<u>196,873</u>	<u>-</u>	<u>2,285,012</u>	<u>10,549,087</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 1,121,220</u>	<u>\$ 544,804</u>	<u>\$ 174,344</u>	<u>\$ 5,297,698</u>	<u>\$ 456,137</u>	<u>\$ 7,594,203</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, 2010

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NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	(2,954,884)
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 (\$22,092,652) is more than depreciation expense (\$6,910,044).			
			15,182,608
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			
			336,946
Installment obligations are recorded as revenue in the fund statements and recorded as a reduction in principal in the government wide statements.			
			966,364
Bond proceeds is recorded as a revenue in the governmental funds and as a liability in the government wide statements.			
			(18,093,976)
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.			
			(3,183)
Bond discount amortization is not recorded in the government funds but is amortized in the government wide statements.			
			290,583
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	\$	(144,897)	
Accrued interest		<u>37,061</u>	
			(107,836)
Contributions from the developer from assets contributed to the City are financial resources not reported as revenues in the funds.			
			13,836,597
Special assessment are recognized when levied and are recorded in the fund statement when measurable and available			
			18,295,000
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.			
			<u>(28,967)</u>
Change in net assets of governmental activities		\$	<u><u>27,719,252</u></u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Net Assets Proprietary Funds June 30, 2010

	<b>Business-type Activities Water/Sewer</b>
<b><u>ASSETS</u></b>	
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ 721,939
Unrestricted	1,155,281
Receivables	
Accounts, less allowance for doubtful accounts of \$0	275,481
Inventory	175,159
Total current assets	<u>2,327,860</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>273,349</u>
Property and equipment, at cost	
Land and water rights	8,435,538
Buildings	58,400
Vehicles	325,737
Improvements, other than buildings	47,311,117
Office furniture and equipment	411,756
Accumulated depreciation	<u>(6,146,574)</u>
Net property and equipment	<u>50,395,974</u>
Bond issue costs, less accumulated amortization of \$45,426	<u>244,373</u>
Total noncurrent assets	<u>244,373</u>
Total assets	<u>\$ 53,241,556</u>
<b><u>LIABILITIES</u></b>	
CURRENT LIABILITIES	
Accounts payable	\$ 273,450
Current portion of long-term debt payable from restricted assets	376,000
Current portion of capital leases	30,929
Accrued liabilities	39,659
Accrued interest	29,398
Total current liabilities	<u>749,436</u>
NONCURRENT LIABILITIES	
Long-term compensation liability	36,572
Capital leases	44,781
Bonds payable from restricted assets	<u>12,226,045</u>
Total noncurrent liabilities	<u>12,307,398</u>
Total liabilities	<u>13,056,834</u>
<b><u>NET ASSETS</u></b>	
Investment in capital assets, net of related debt	38,206,965
Restricted for:	
Capital projects	720,059
Debt service	273,349
Unrestricted	984,349
Total net assets	<u>40,184,722</u>
Total liabilities and net assets	<u>\$ 53,241,556</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, 2010

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	<b>Business-type Activities Water/Sewer</b>
OPERATING REVENUE	
Sales and charges for services	\$ 4,043,059
Total operating revenue	<u>4,043,059</u>
OPERATING EXPENSES	
Personal services	661,443
Supplies	702,401
Water purchases	1,060,355
Utilities	176,032
Depreciation and amortization	1,528,265
Total expenses	<u>4,128,496</u>
Operating income	<u>(85,437)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	19,486
Impact fees	779,079
Proceeds from sale of vehicles	9,009
Interest expense	(493,100)
Total nonoperating revenues (expenses)	<u>314,474</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	<u>4,891,725</u>
Total capital contributions	<u>4,891,725</u>
Transfers	
Transfers in	<u>1,100,000</u>
Increase in net assets	6,220,762
NET ASSETS, JULY 1, 2009	<u>33,963,960</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 40,184,722</u>

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2010

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CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,160,951
Payments to suppliers	(2,248,701)
Payments to employees	(612,372)
Net cash provided by operating activities	<u>1,299,878</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Interfund loans	(403,000)
Net cash (used) by noncapital financing	<u>(403,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	779,079
Purchase of capital assets	(3,204,619)
Sale of assets	9,009
Contributions	43,515
Principal paid on capital leases	(893)
Bond payments	(368,070)
Bond costs amortization	11,560
Interest paid on bonds and leases	(705,055)
Transfer	1,100,000
Net cash (used) in capital and related financing activities	<u>(2,335,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	19,487
Net cash provided from investing activities	<u>19,487</u>
Net decrease in cash and cash equivalents	(1,419,109)
CASH AND CASH EQUIVALENTS, JULY 1, 2009	<u>3,569,678</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u>\$ 2,150,569</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (85,437)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,528,265
Increase (decrease) due to changes in:	
Accounts receivable	117,893
Inventory	58,538
Accounts payable	(368,451)
Accrued liabilities affecting operating activities	23,419
Other liabilities	25,651
Net cash provided by operating activities	<u>\$ 1,299,878</u>

The proprietary fund had assets contributed to the City of \$4,848,210.

The accompanying notes are an integral part of this statement.

# HERRIMAN CITY

## Notes to the Financial Statements Fiscal Year Ended June 30, 2010

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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 Public Safety special revenue fund and, (4) the Town Center 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 and construction bonds. 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 Herriman Parkway 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, 2010. 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, 2010, 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 11.66% 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, 2010, 2009, and 2008 were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Noncontributory employer contributions			
Salary	\$ 2,755,229	\$ 2,682,773	\$ 2,661,845
Employer contributions	321,260	311,737	309,307
401(k) Plan			
Employee contributions	102,438	110,305	96,250
Employer contributions	69,657	66,478	66,112
457 Plan			
Employee contributions	15,346	17,920	14,853
Employer contributions	8,554	9,531	9,921
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, 2010.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<b><u>PRIMARY GOVERNMENT</u></b>				
GOVERNMENTAL ACTIVITIES				
Land	\$ 51,088,799	\$ 3,908,823	\$ -	\$ 54,997,622
Easements	1,618,802	3,168,813	-	4,787,615
Work in process	2,652,623	7,399,641	(9,940,967)	111,297
Total nondepreciated assets	<u>55,360,224</u>	<u>14,477,277</u>	<u>(9,940,967)</u>	<u>59,896,534</u>
Depreciated assets				
Buildings	6,238,620	-	-	6,238,620
Improvements	83,538,975	31,356,815	-	114,895,790
Equipment	2,296,668	36,124	(29,760)	2,303,032
Other Infrastructure	927,113	-	-	927,113
Vehicles	2,577,737	-	(77,224)	2,500,513
Total depreciated assets	<u>95,579,113</u>	<u>31,392,939</u>	<u>(106,984)</u>	<u>126,865,068</u>
Less accumulated depreciation				
Buildings	(911,860)	(199,497)	-	(1,111,357)
Improvements	(11,865,029)	(5,895,931)	-	(17,760,960)
Equipment	(1,104,840)	(250,630)	29,759	(1,325,711)
Other infrastructure	(139,406)	(50,229)	-	(189,635)
Vehicles	(1,485,826)	(513,757)	48,257	(1,951,326)
Total accumulated depreciation	<u>(15,506,961)</u>	<u>(6,910,044)</u>	<u>78,016</u>	<u>(22,338,989)</u>
Net assets depreciated	<u>80,072,152</u>	<u>24,482,895</u>	<u>(28,968)</u>	<u>104,526,079</u>
Total governmental activities	<u>135,432,376</u>	<u>38,960,172</u>	<u>(9,969,935)</u>	<u>164,422,613</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,457,212	-	-	1,457,212
Water rights	6,732,778	245,548	-	6,978,326
Work in process	403,670	2,855,746	(3,259,416)	-
Total nondepreciated assets	<u>8,593,660</u>	<u>3,101,294</u>	<u>(3,259,416)</u>	<u>8,435,538</u>
Depreciated assets				
Vehicles	296,522	62,118	(32,903)	325,737
Buildings	58,400	-	-	58,400
Improvements	39,173,232	8,137,885	-	47,311,117
Equipment	448,806	10,950	(48,000)	411,756
Total depreciated assets	<u>39,976,960</u>	<u>8,210,953</u>	<u>(80,903)</u>	<u>48,107,010</u>
Less accumulated depreciation				
Vehicles	(217,885)	(62,221)	32,902	(247,204)
Buildings	(6,084)	(1,459)	-	(7,543)
Improvements	(4,201,039)	(1,389,458)	-	(5,590,497)
Equipment	(274,203)	(75,127)	48,000	(301,330)
Total accumulated depreciation	<u>(4,699,211)</u>	<u>(1,528,265)</u>	<u>80,902</u>	<u>(6,146,574)</u>
Net assets depreciated	<u>35,277,749</u>	<u>6,682,688</u>	<u>(1)</u>	<u>41,960,436</u>
Total business-type assets	<u>43,871,409</u>	<u>9,783,982</u>	<u>(3,259,417)</u>	<u>50,395,974</u>
Total combined assets	<u>\$ 179,303,785</u>	<u>\$ 48,744,154</u>	<u>\$ (13,229,352)</u>	<u>\$ 214,818,587</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<b><u>DEPRECIATION EXPENSE</u></b>			
FUNCTION			
General government	\$ 1,914,945	\$ -	\$ 1,914,945
Highway and streets	3,349,306	-	3,349,306
Cemetery	16,388	-	16,388
Engineering	5,385	-	5,385
Parks	852,517	-	852,517
Public safety	38,750	-	38,750
Flood control	732,753	-	732,753
Water	-	1,528,265	1,528,265
	<u>-</u>	<u>1,528,265</u>	<u>1,528,265</u>
Totals	<u>\$ 6,910,044</u>	<u>\$ 1,528,265</u>	<u>\$ 8,438,309</u>

#### 4. **INTERFUND TRANSFERS**

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ 100,000	\$ (174,000)
Capital projects	174,000	-
Special revenue town center	-	(1,100,000)
Special revenue roads	-	(114,000)
Debt service	114,000	-
Parks special revenue fund	-	(100,000)
Water fund	1,100,000	-
	<u>1,100,000</u>	<u>-</u>
Total funds	<u>\$ 1,488,000</u>	<u>\$ (1,488,000)</u>

The purpose of the transfers to the general fund was to provide for operation of the fund. The special revenue town center transferred funds to the water fund for construction projects. The special revenue roads transfers money to the debt service for payment of bonds.

#### 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, 2010, are comprised of the following individual issues:

	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2010</u>	<u>Due Within One Year</u>
<b>BONDS PAYABLE</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	\$ -
SSA Bond	-	18,295,000	-	18,295,000	-
Bond Discount	(50,109)	(201,024)	7,070	(244,063)	-
Total governmental long-term debt	<u>7,799,891</u>	<u>18,093,976</u>	<u>7,070</u>	<u>25,900,937</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.	2,820,000	-	(165,000)	2,655,000	168,000
Taxable water revenue bonds series 2005. Bonds bear no interest but are discounted at 3%. The bonds are less a discount of \$55,585 and are secured by water revenue and mature in December 2012.	292,000	-	(73,000)	219,000	73,000
Herriman City Water Revenue & Refunding Bonds series 2007. The bonds bear interest at 4% and mature in 2033.	9,660,000	-	(125,000)	9,535,000	135,000
Premium	198,115	-	5,070	193,045	-
Total business-type long-term debt	<u>12,970,115</u>	<u>-</u>	<u>(357,930)</u>	<u>12,602,045</u>	<u>376,000</u>
Total bonds payable	<u>\$ 20,770,006</u>	<u>\$18,093,976</u>	<u>\$ (350,860)</u>	<u>\$38,502,982</u>	<u>\$ 376,000</u>
<b>GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES</b>					
Compensated absences	\$ 85,051	\$ 144,898	\$ -	\$ 229,949	\$ -
Capital leases	764,928	-	(336,946)	427,982	144,376
Land installment obligations	3,377,729	-	(966,362)	2,411,367	1,042,830
<b>BUSINESS, OTHER LIABILITIES</b>					
Compensated absences	10,921	25,651	-	36,572	-
Capital leases	76,603	-	(893)	75,710	30,929

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, 2010, for the business fund is listed in the following table:

<b>Year Ending 30-Jun</b>	<b>Series 2003A Revenue Bonds</b>			<b>Series 2005 Taxable Bonds</b>		
	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>
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	1.86%	181,000	36,549	0.00%	-	-
2016-2019	1.86%	756,000	131,074	-	-	-
2020-2024	1.86%	1,028,000	38,948	-	-	-
<b>Totals</b>		<b>\$ 2,655,000</b>	<b>\$ 385,131</b>		<b>\$ 219,000</b>	<b>\$ 13,140</b>

<b>Year Ending 30-Jun</b>	<b>Series 2007 Water Revenue</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 135,000	\$ 416,875
2012	140,000	411,375
2013	145,000	405,675
2014	225,000	398,275
2015	230,000	389,175
2016-2019	1,300,000	1,768,822
2020-2024	920,000	1,531,800
2025-2029	4,130,000	990,978
2030-2035	2,310,000	259,875
<b>Totals</b>	<b>\$9,535,000</b>	<b>\$6,572,850</b>

The annual debt requirement to maturity, including principal and interest as of June 30, 2010, for the governmental funds is listed in the following tables:

<b>Year Ending 30-Jun</b>	<b>Series 2008 Sales and Franchise tax bond</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ -	\$ 383,796
2012	200,000	380,996
2013	200,000	375,071
2014	200,000	368,196
2015	225,000	360,452
2016-2020	1,260,000	1,345,995
2021-2025	1,600,000	1,095,508
2026-2030	2,060,000	745,725
2031-2035	2,105,000	376,443
<b>Totals</b>	<b>\$7,850,000</b>	<b>\$5,432,182</b>

Year Ending 30-Jun	Series 2010 Sales and Franchise tax bond	
	Principal	Interest
2011	\$ -	\$ 768,213
2012	670,000	813,035
2013	690,000	792,635
2014	710,000	711,635
2015	730,000	749,670
2016-2020	4,060,000	3,316,894
2021-2025	5,010,000	2,327,056
2026-2030	6,425,000	874,888
Totals	<u>\$ 18,295,000</u>	<u>\$ 10,354,026</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, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 9,907,688

Cash investments and cash equivalents as of June 30, 2010, consist of the following:

Deposits with financial institutions	\$ 1,841,570
Petty cash	65
Investments, state treasurer	<u>8,066,053</u>
Total cash and cash equivalents	<u>\$ 9,907,688</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, 2010, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1, Less Than 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer investment fund	\$ 8,066,053	\$ 8,066,053	\$ -	\$ -
Total investments	<u>\$ 8,066,053</u>	<u>\$ 8,066,053</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest Rate Risk**

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

**Credit Risk**

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act. As of June 30, 2010, 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, 2010, \$1,591,570 of the \$1,841,570 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	\$ 31,684	\$ -	\$ 31,684
Special revenue, street signs	5,235	-	5,235
Special revenue, park impact fees	137,206	-	137,206
Special revenue, flood control	62,833	-	62,833
Special revenue, road impact fees	27,833	-	27,833
Special revenue, fire impact fees	30,085	-	30,085
Special revenue, public safety	174,344	-	174,344
Herriman Parkway	161,255	-	161,255
Bond construction funds	3,785,958	-	3,785,958
Bond reserve funds	1,874,688	273,349	2,148,037
Water impact fees	-	720,059	720,059
	<u>\$ 6,291,121</u>	<u>\$ 993,408</u>	<u>\$ 7,284,529</u>

**9. INTEREST EXPENSE**

The proprietary fund incurred \$493,100 in interest expense of which \$493,100 was charged to expense and \$0 was capitalized.

**10. RESTRICTED CASH**

The City has restricted cash of \$859,938 for impact fees, \$5,727,891 for debt service in the governmental funds, \$721,939 for impact fees, and 273,349 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. In preparing the financial statements the City has considered all subsequent events up to December 16, 2010, the issue date of the financial statements.

**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 \$ 4,848,210.

**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, 2010, was \$248,723. 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, 2010. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2011	\$ 34,988
June 30, 2012	34,600
June 30, 2013	12,042
June 30, 2014	-
Thereafter	-
Totals	<u>81,630</u>
Less amounts representing interest	<u>(5,920)</u>
Present value	75,710
Less current portion	<u>(30,929)</u>
Long term	<u>\$ 44,781</u>

The depreciation expense from these assets was \$24,872 in 2010. 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, 2010, was \$786,102. 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, 2010.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2011	\$ 170,523
June 30, 2012	170,523
June 30, 2013	106,835
June 30, 2014	35,650
Thereafter	-
Totals	<u>483,531</u>
Less amounts representing interest	<u>(55,549)</u>
Present value	427,982
Less current portion	<u>(144,376)</u>
Long term	<u>\$ 283,606</u>

**17. NEW ISSUED ACCOUNTING STANDARDS**

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

***GASB 52 Real-estate for endowments***  
***GASB 53 Derivatives***  
***GASB 54 Fund Balance***  
***GASB 55 Hierarchy of GASB***  
***GASB 56 Codifications***  
***GASB 57 OPEB***  
***GASB 58 Bankruptcies***  
***GASB 59 Financial instruments***

The only statement that may affect the City would be GASB 54. The impact of this statement will change the classification of fund balances.

**18. COMPLIANCE**

The City has over spent the budget in the flood control special revenue fund.

**19. SPECIAL ASSESSMENTS**

The City has a special improvement district. The improvement district is a business park and residential subdivision that will house several businesses and homes. The construction project is financed by special assessment bonds sold to bond-holders. The special assessments are levied to owners who are assessed a portion based on a formula of land ownership. If the owners default, the special assessments bondholders can seize the property. The City has the option to purchase some of the assessment property. If the City purchases the property they will be responsible for the assessment debt. The assessment revenue is recognized as income in the government wide statements and deferred for the fund statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Budgetary Comparison Schedule General Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with
				Basis	Final Budget
<b>REVENUES</b>					
General property taxes	\$ 415,000	\$ 52,534	\$ 467,534	\$ 471,777	\$ 4,243
Sales, use, and excise taxes	2,000,000	(369,193)	1,630,807	1,815,621	184,814
Franchise taxes	1,022,000	(92,750)	929,250	840,196	(89,054)
Licenses	124,438	856,617	981,055	51,018	(930,037)
Permits	1,037,200	560,109	1,597,309	2,192,058	594,749
Interest	89,000	(72,139)	16,861	17,215	354
Intergovernmental	760,000	(30,188)	729,812	621,702	(108,110)
Fines	175,000	(13,282)	161,718	158,759	(2,959)
Charges for services	1,026,450	(993,230)	33,220	502,553	469,333
Grants	89,000	(48,955)	40,045	32,100	(7,945)
Sale of assets		29,655	29,655	46,872	17,217
Miscellaneous	84,850	453,551	538,401	259,171	(279,230)
Total revenues	<u>6,822,938</u>	<u>332,729</u>	<u>7,155,667</u>	<u>7,009,042</u>	<u>(146,625)</u>
<b>EXPENDITURES</b>					
Administrative	334,193	1,057,665	1,391,858	1,390,891	967
Facilities	1,270,457	(918,275)	352,182	352,090	92
Information technology	402,512	48,545	451,057	450,160	897
Highways and streets	625,871	(62,050)	563,821	549,286	14,535
Street lights	274,538	(77,200)	197,338	186,629	10,709
Storm drain maintenance	254,676	(90,332)	164,344	160,656	3,688
Street Signs	91,419	(31,976)	59,443	49,384	10,059
Cemetery	43,687	138	43,825	43,274	551
Public safety	389,203	4,155	393,358	392,319	1,039
Parks and recreation	1,238,268	(13,634)	1,224,634	1,222,735	1,899
Community affairs	433,261	100,850	534,111	533,239	872
Engineering	271,338	387,681	659,019	638,274	20,745
Fleet management	147,802	14,247	162,049	160,022	2,027
Human resources	120,991	31,372	152,363	151,485	878
Community development	1,095,722	(555,811)	539,911	534,325	5,586
Total expenditures	<u>6,993,938</u>	<u>(104,625)</u>	<u>6,889,313</u>	<u>6,814,769</u>	<u>74,544</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(171,000)</u>	<u>437,354</u>	<u>266,354</u>	<u>194,273</u>	<u>(72,081)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers out	-	-	-	(174,000)	(174,000)
Transfers in	200,000	(100,000)	100,000	100,000	-
Total other financing sources	<u>200,000</u>	<u>(100,000)</u>	<u>100,000</u>	<u>(74,000)</u>	<u>(174,000)</u>
Net change in fund balance	29,000	337,354	366,354	120,273	(246,081)
FUND BALANCE, JULY 1, 2009	<u>1,000,947</u>	<u>1,000,947</u>	<u>1,000,947</u>	<u>1,000,947</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 1,029,947</u>	<u>\$ 1,338,301</u>	<u>\$ 1,367,301</u>	<u>\$ 1,121,220</u>	<u>\$ (246,081)</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Public Safety Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Charges for services	\$ -	\$ 1,755,671	\$ 1,755,671	\$ 1,690,511	\$ (65,160)
Interest	-	-	-	-	-
Total revenues	-	1,755,671	1,755,671	1,690,511	(65,160)
<b>EXPENDITURES</b>					
Public Safety	-	1,718,252	1,718,252	1,713,040	5,212
Total expenditures	-	1,718,252	1,718,252	1,713,040	5,212
Excess of revenues over expenditures (usage of fund balance)	-	37,419	37,419	(22,529)	(59,948)
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	-	37,419	37,419	(22,529)	(59,948)
FUND BALANCE, JULY 1, 2009	196,873	196,873	196,873	196,873	-
FUND BALANCE, JUNE 30, 2010	\$ 196,873	\$ 234,292	\$ 234,292	\$ 174,344	\$ (59,948)

# HERRIMAN CITY

## Budgetary Comparison Schedule Towne Center Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ -	\$ 63,381	\$ 63,381	\$ 63,380	\$ (1)
Contributions	-	-	-	202,212	202,212
Miscellaneous	-	-	-	1,900	1,900
Total revenues	-	63,381	63,381	267,492	204,111
<b>EXPENDITURES</b>					
Capital outlay	-	18,295,000	18,295,000	11,963,770	6,331,230
Total expenditures	-	18,295,000	18,295,000	11,963,770	6,331,230
Excess of revenues over expenditures (usage of fund balance)	-	(18,231,619)	(18,231,619)	(11,696,278)	6,535,341
<b>OTHER FINANCES SOURCES (USES)</b>					
Bond Proceeds	-	18,295,000	18,295,000	18,093,976	(201,024)
Transfers out	-	-	-	(1,100,000)	(1,100,000)
Total other financing sources	-	-	-	16,993,976	(1,100,000)
Net change in fund balance	-	(18,231,619)	(18,231,619)	5,297,698	5,435,341
FUND BALANCE, JULY 1, 2009	-	-	-	-	-
FUND BALANCE, JUNE 30, 2010	\$ -	\$ (18,231,619)	\$ (18,231,619)	\$ 5,297,698	\$ 5,435,341

**SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2010

	<b>Parks Special Revenue</b>	<b>Flood Control Special Revenue</b>	<b>Parkway Special Revenue</b>	<b>Roads Special Revenue</b>	<b>Street Signs Special Revenue</b>	<b>Street Lights Special Revenue</b>	<b>Fire Impact Special Revenue</b>	<b>Debt Service</b>	<b>Totals</b>
<b>ASSETS</b>									
Cash, unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 6
Accounts receivable	-	-	-	92,584	-	-	-	-	92,584
Cash, restricted	152,854	104,658	161,255	60,025	5,235	33,684	30,085	-	547,796
<b>Total assets</b>	<b>\$ 152,854</b>	<b>\$ 104,658</b>	<b>\$ 161,255</b>	<b>\$ 152,609</b>	<b>\$ 5,235</b>	<b>\$ 33,684</b>	<b>\$ 30,085</b>	<b>\$ 6</b>	<b>\$ 640,386</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 15,648	\$ 41,825	\$ -	\$ 124,776	\$ -	\$ 2,000	\$ -	\$ -	\$ 184,249
Accrued liabilities	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>15,648</b>	<b>41,825</b>	<b>-</b>	<b>124,776</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>184,249</b>
<b>Fund balances</b>									
Unrestricted	-	-	-	-	-	-	-	6	6
Restricted bond sinking fund	-	-	-	-	-	-	-	-	-
Restricted	137,206	62,833	161,255	27,833	5,235	31,684	30,085	-	456,131
<b>Total fund balance</b>	<b>137,206</b>	<b>62,833</b>	<b>161,255</b>	<b>27,833</b>	<b>5,235</b>	<b>31,684</b>	<b>30,085</b>	<b>6</b>	<b>456,137</b>
<b>Total liabilities and fund balance</b>	<b>\$ 152,854</b>	<b>\$ 104,658</b>	<b>\$ 161,255</b>	<b>\$ 152,609</b>	<b>\$ 5,235</b>	<b>\$ 33,684</b>	<b>\$ 30,085</b>	<b>\$ 6</b>	<b>\$ 640,386</b>

# HERRIMAN CITY

**Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances  
Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2010**

	<u>Parks Special Revenue</u>	<u>Flood Control Special Revenue</u>	<u>Parkway Special Revenue</u>	<u>Roads Special Revenue</u>	<u>Street Signs Special Revenue</u>	<u>Street Lights Special Revenue</u>	<u>Fire Impact Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES									
Impact fees	\$ 289,860	\$ -	\$ -	\$ 427,064	\$ -	\$ -	\$ 56,347	\$ -	\$ 773,271
Interest	374	601	711	1,023	-	-	-	616	3,325
Charges for services	-	98,095	-	92,584	4,553	50,788	199,168	-	445,188
Other	-	-	-	286,190	-	-	-	-	286,190
Total revenues	<u>290,234</u>	<u>98,696</u>	<u>711</u>	<u>806,861</u>	<u>4,553</u>	<u>50,788</u>	<u>255,515</u>	<u>616</u>	<u>1,507,974</u>
EXPENDITURES									
Capital outlay	225,274	663,904	663,317	689,720	1,107	31,156	535,923	-	2,810,401
Public Safety	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	10,000	10,000
Debt service	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	416,448	416,448
Total expenditures	<u>225,274</u>	<u>663,904</u>	<u>663,317</u>	<u>689,720</u>	<u>1,107</u>	<u>31,156</u>	<u>535,923</u>	<u>426,448</u>	<u>3,236,849</u>
Revenues over (under) expenditures	<u>64,960</u>	<u>(565,208)</u>	<u>(662,606)</u>	<u>117,141</u>	<u>3,446</u>	<u>19,632</u>	<u>(280,408)</u>	<u>(425,832)</u>	<u>(1,728,875)</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	-	-	-	-	114,000	114,000
Operating transfers out	(100,000)	-	-	(114,000)	-	-	-	-	(214,000)
Total other financing sources (uses)	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(114,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,000</u>	<u>(100,000)</u>
Revenues and other sources over expenditures and other uses	<u>(35,040)</u>	<u>(565,208)</u>	<u>(662,606)</u>	<u>3,141</u>	<u>3,446</u>	<u>19,632</u>	<u>(280,408)</u>	<u>(311,832)</u>	<u>(1,828,875)</u>
FUND BALANCE, JULY 1, 2009	<u>172,246</u>	<u>628,041</u>	<u>823,861</u>	<u>24,692</u>	<u>1,789</u>	<u>12,052</u>	<u>310,493</u>	<u>311,838</u>	<u>2,285,012</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 137,206</u>	<u>\$ 62,833</u>	<u>\$ 161,255</u>	<u>\$ 27,833</u>	<u>\$ 5,235</u>	<u>\$ 31,684</u>	<u>\$ 30,085</u>	<u>\$ 6</u>	<u>\$ 456,137</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 312,000	\$ (31,570)	\$ 280,430	\$ 289,860	\$ 9,430
Interest	-	368	368	374	6
Charges for services	-	-	-	-	-
Total revenues	<u>312,000</u>	<u>(31,202)</u>	<u>280,798</u>	<u>290,234</u>	<u>9,436</u>
<b>EXPENDITURES</b>					
Capital outlay	200,000	108,125	308,125	225,274	82,851
Total expenditures	<u>200,000</u>	<u>108,125</u>	<u>308,125</u>	<u>225,274</u>	<u>82,851</u>
Excess revenues over expenditures	112,000	(139,327)	(27,327)	64,960	92,287
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	12,000	(139,327)	(127,327)	(35,040)	92,287
FUND BALANCE, JULY 1, 2009	<u>172,246</u>	<u>1,722,476</u>	<u>172,246</u>	<u>172,246</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 184,246</u>	<u>\$ 1,583,149</u>	<u>\$ 44,919</u>	<u>\$ 137,206</u>	<u>\$ 92,287</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Charges for services	\$ 564,000	\$ (465,905)	\$ 98,095	\$ 98,095	\$ -
Interest	-	645	645	601	(44)
Total revenues	<u>564,000</u>	<u>(465,260)</u>	<u>98,740</u>	<u>98,696</u>	<u>(44)</u>
<b>EXPENDITURES</b>					
Capital outlay	559,448	78,264	637,712	663,904	(26,192)
Total expenditures	<u>559,448</u>	<u>78,264</u>	<u>637,712</u>	<u>663,904</u>	<u>(26,192)</u>
Excess revenues over expenditures	4,552	(543,524)	(538,972)	(565,208)	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	4,552	(543,524)	(538,972)	(565,208)	-
FUND BALANCE, JULY 1, 2009	<u>628,041</u>	<u>628,041</u>	<u>628,041</u>	<u>628,041</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 632,593</u>	<u>\$ 84,517</u>	<u>\$ 89,069</u>	<u>\$ 62,833</u>	<u>\$ -</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Herriman Parkway Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Changes	Final		
REVENUES					
Interest	\$ -	\$ 605	\$ 605	\$ 711	\$ 106
Intergovernmental	-	-	-	4,444	4,444
Total revenues	-	605	605	5,155	4,550
EXPENDITURES					
Capital Outlay	-	663,317	663,317	663,317	-
Total expenditures	-	663,317	663,317	663,317	-
Excess of revenues over expenditures (usage of fund balance)	-	(662,712)	(662,712)	(658,162)	4,550
Net change in fund balance	-	(662,712)	(662,712)	(658,162)	4,550
FUND BALANCE, JULY 1, 2009	823,861	823,861	823,861	823,861	-
FUND BALANCE, JUNE 30, 2010	\$ 823,861	\$ 161,149	\$ 161,149	\$ 165,699	\$ 4,550

# HERRIMAN CITY

## Budgetary Comparison Schedule Roads Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ 1,057	\$ 1,057	\$ 1,023	\$ (34)
Charges for services	-	-	-	92,584	-
Other	-	-	-	286,190	-
Impact fees	120,000	582,754	702,754	427,064	(275,690)
Total revenues	<u>120,000</u>	<u>583,811</u>	<u>703,811</u>	<u>806,861</u>	<u>(275,724)</u>
Expenditures					
Capital outlay	50,000	678,246	728,246	689,720	38,526
Total expenditures	<u>50,000</u>	<u>678,246</u>	<u>728,246</u>	<u>689,720</u>	<u>38,526</u>
Excess of revenues over expenditures	<u>70,000</u>	<u>(94,435)</u>	<u>(24,435)</u>	<u>117,141</u>	<u>(237,198)</u>
Transfers out	-	(114,000)	(114,000)	(114,000)	-
Net change in fund balance	70,000	(208,435)	(138,435)	3,141	(237,198)
FUND BALANCE, JULY 1, 2009	<u>24,692</u>	<u>24,692</u>	<u>24,692</u>	<u>24,692</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 94,692</u>	<u>\$ (183,743)</u>	<u>\$ (113,743)</u>	<u>\$ 27,833</u>	<u>\$ (237,198)</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Signs Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 2,500	\$ 2,053	\$ 4,553	\$ 4,553	\$ -
Total revenues	2,500	2,053	4,553	4,553	-
EXPENDITURES					
Capital outlay	2,300	(193)	2,107	1,107	1,000
Total expenditures	2,300	(193)	2,107	1,107	1,000
Excess of revenues over expenditures (usage of fund balance)	200	2,246	2,446	3,446	1,000
OTHER FINANCES SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	200	2,246	2,446	3,446	1,000
FUND BALANCE, JULY 1, 2009	1,789	1,789	1,789	1,789	-
FUND BALANCE, JUNE 30, 2010	\$ 1,989	\$ 4,035	\$ 4,235	\$ 5,235	\$ 1,000

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 62,000	\$ (11,212)	\$ 50,788	\$ 50,788	\$ -
Interest	-	-	-	-	-
Total revenues	<u>62,000</u>	<u>(11,212)</u>	<u>50,788</u>	<u>50,788</u>	<u>-</u>
EXPENDITURES					
Capital outlay	<u>55,500</u>	<u>(24,344)</u>	<u>31,156</u>	<u>31,156</u>	<u>-</u>
Total expenditures	<u>55,500</u>	<u>(24,344)</u>	<u>31,156</u>	<u>31,156</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>6,500</u>	<u>13,132</u>	<u>19,632</u>	<u>19,632</u>	<u>-</u>
OTHER FINANCES SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	6,500	13,132	19,632	19,632	-
FUND BALANCE, JULY 1, 2009	<u>12,052</u>	<u>12,052</u>	<u>12,052</u>	<u>12,052</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2010	<u>\$ 18,552</u>	<u>\$ 25,184</u>	<u>\$ 31,684</u>	<u>\$ 31,684</u>	<u>\$ -</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Fire Impact Special Revenue Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -	\$ 56,347	\$ 56,347
Charges for services	10,000	244,285	254,285	199,168	(55,117)
Total revenues	10,000	244,285	254,285	255,515	1,230
EXPENDITURES					
Capital outlay	10,000	525,924	535,924	535,923	1
Total expenditures	10,000	525,924	535,924	535,923	1
Excess of revenues over expenditures (usage of fund balance)	-	(281,639)	(281,639)	(280,408)	1,231
Net change in fund balance	-	(281,639)	(281,639)	(280,408)	1,231
FUND BALANCE, JULY 1, 2009	310,493	310,493	310,493	310,493	-
FUND BALANCE, JUNE 30, 2010	\$ 310,493	\$ 28,854	\$ 28,854	\$ 30,085	\$ 1,231

# HERRIMAN CITY

## Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ 596	\$ 596	\$ 616	\$ 20
Total revenues	-	596	596	616	20
EXPENDITURES					
Debt service					
General Government	-	-	-	10,000	(10,000)
Interest	-	426,448	426,448	416,448	10,000
Total expenditures	-	426,448	426,448	426,448	-
Excess revenues over expenditures	-	(425,852)	(425,852)	(425,832)	20
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Transfers in	-	-	114,000	114,000	-
Revenue and other sources over (under) expenditures and other uses	-	(425,852)	(311,852)	(311,832)	20
FUND BALANCE, JULY 1, 2009	311,838	311,838	311,838	311,838	-
FUND BALANCE, JUNE 30, 2010	\$ 311,838	\$ (114,014)	\$ (14)	\$ 6	\$ 20

# HERRIMAN CITY

## Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Sale of assets	\$ -	\$ 151,725	\$ 151,725	\$ -	\$ (151,725)
Intergovernmental	-	323,280	323,280	-	(323,280)
Contributions	-	-	-	151,725	-
Interest income	-	23,593	23,593	-	(23,593)
Miscellaneous	-	1,547,000	1,547,000	2,224,568	677,568
Total revenues	-	2,045,598	2,045,598	2,376,293	178,970
<b>EXPENDITURES</b>					
Capital outlay	35,000	9,051,155	9,086,155	9,071,744	14,411
Interest on bonds	-	-	-	-	-
Bond costs	-	-	-	-	-
Total expenditures	35,000	9,051,155	9,086,155	9,071,744	14,411
Excess of revenues over expenditures (usage of fund balance)	(35,000)	(7,005,557)	(7,040,557)	(6,695,451)	193,381
<b>OTHER FINANCES SOURCES (USES)</b>					
Transfers out	-	-	-	-	-
Bond proceeds	-	-	-	174,000	174,000
Total other financing sources	-	-	-	174,000	174,000
Net change in fund balance	(35,000)	(7,005,557)	(7,040,557)	(6,521,451)	367,381
FUND BALANCE, JULY 1, 2009	7,066,255	7,066,255	7,066,255	7,066,255	-
FUND BALANCE, JUNE 30, 2010	\$ 7,031,255	\$ 60,698	\$ 25,698	\$ 544,804	\$ 367,381



**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 16, 2010

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, 2010, and have issued our report thereon dated December 16, 2010. 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 | Fund Balance Limitiation          |

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.

In our opinion, Herriman City complied, in all material respects, with the general compliance requirements identified above for the years ended June 30, 2010.

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 City Council, 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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## 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 16, 2010

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2010. 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 deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### 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*.

We noted certain matters that we reported to management of Herriman City, in a separate letter dated December 16, 2010.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart". The signature is written in dark ink and is positioned above the printed name of the firm.

GILBERT & STEWART  
*Certified Public Accountants*