



HERRIMAN CITY

**Annual Financial Report
Fiscal Year Ended June 30, 2011
(With Auditor's Report Therein)**

HERRIMAN CITY

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GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
ESTABLISHED 1974

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Herriman City, Utah

November 22, 2011

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, 2011, 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, 2011, 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 November 22, 2011, 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

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, 2011. 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 \$201,523,988 (net assets). Of this amount, \$24,673,021 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets decreased by \$1,955,813.

The City's governmental activities reported a combined ending fund balance of \$159,715,797. Of the combined total fund balance, \$19,474,596 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, 2011, totaled \$747,943 and is 10% of the general fund total revenues for the year. Total debt for Herriman City is approximately \$44,719,008. The City issued Herriman City bonds series 2011 water revenue bonds for \$6,585,000.

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 give 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

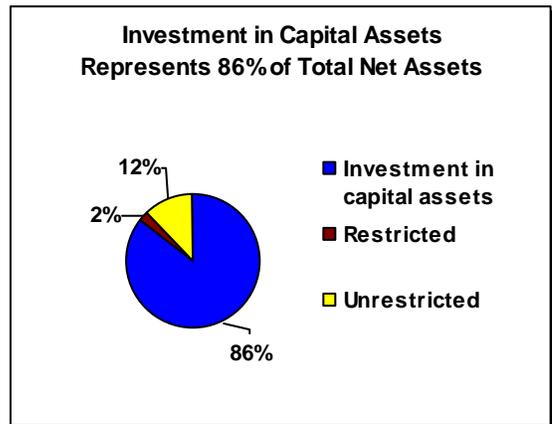
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Herriman City Statement of Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current assets	\$ 6,078,261	\$ 7,519,874	\$ 7,118,925	\$ 2,327,860	\$ 13,197,186	\$ 9,847,734
Non-current assets	1,485,025	1,497,848	479,204	273,349	1,964,229	1,771,197
Capital assets	164,998,486	164,422,613	53,841,689	50,395,974	218,840,175	214,818,587
Other assets	17,144,639	18,799,025	454,946	244,373	17,599,585	19,043,398
Total assets	189,706,411	192,239,360	61,894,764	53,241,556	251,601,175	245,480,916
Current liabilities	4,181,367	2,675,131	1,871,859	749,736	6,053,226	3,424,867
Non-current liabilities	25,809,247	27,892,619	18,214,714	12,307,398	44,023,961	40,200,017
Total liabilities	29,990,614	30,567,750	20,086,573	13,057,134	50,077,187	43,624,884
Net assets						
Investment in capital assets, net of related debt	137,476,378	135,682,327	34,991,518	38,206,965	172,467,896	173,889,292
Restricted	2,764,823	19,162,560	1,618,248	993,408	4,383,071	20,155,968
Unrestricted	19,474,596	6,826,723	5,198,425	984,349	24,673,021	7,811,072
Total net assets	159,715,797	161,671,610	41,808,191	40,184,722	201,523,988	201,856,332
Total liabilities and net assets	\$ 189,706,411	\$ 192,239,360	\$ 61,894,764	\$ 53,241,856	\$ 251,601,175	\$ 245,481,216

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.



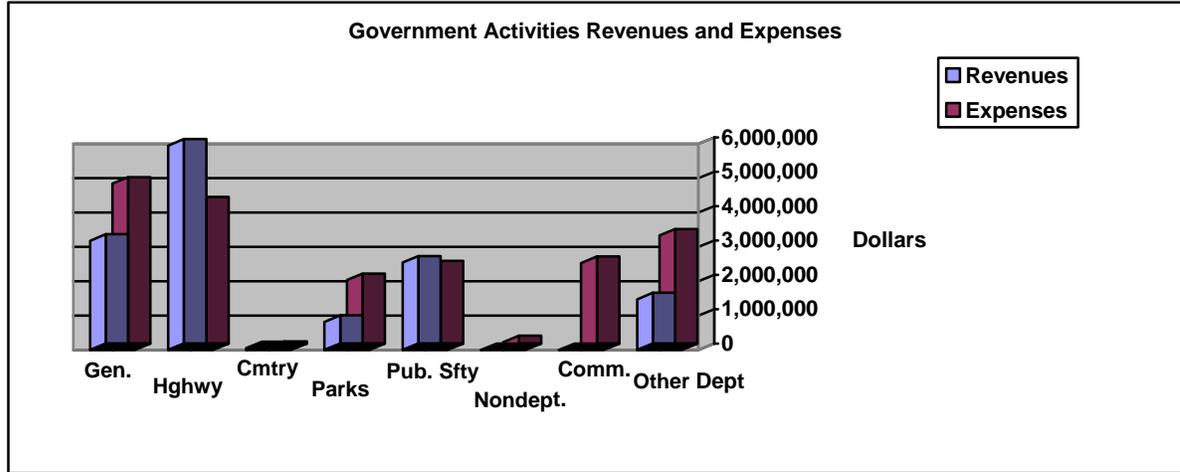
An additional part of net assets (12%) are assets that are subject to external restrictions on how they may be expended. The remaining 2% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

Herriman City's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
REVENUES				
Charges for services	\$ 7,396,125	\$ 8,105,872	\$ 4,469,327	\$ 4,043,059
Operating grants and contributions	1,502,698	661,748	-	-
Capital grants and contributions	5,118,934	32,863,607	2,623,404	5,670,804
General Revenues				
Property taxes, levied for general purposes	475,937	471,777	-	-
Franchise taxes	1,133,699	1,019,646	-	-
Sales taxes	1,901,649	1,636,170	-	-
Gain (loss) from sale of assets	-	17,905	-	9,009
Other revenues	74,130	130,690	83,643	-
Investment earnings	43,168	46,422	19,074	19,486
Total revenues	<u>17,646,340</u>	<u>44,953,837</u>	<u>7,195,448</u>	<u>9,742,358</u>
EXPENSES				
General government	4,843,784	3,554,249	-	-
Facilities	252,122	355,885	-	-
Information technology	466,420	436,256	-	-
Highway and streets	4,265,000	3,892,068	-	-
Storm drain	975,076	891,049	-	-
Cemetery	59,343	56,562	-	-
Parks	2,036,728	2,015,792	-	-
Public safety	2,407,954	2,119,827	-	-
Nondepartmental	225,639	404,821	-	-
Community development	2,350,794	612,978	-	-
Community affairs	417,296	476,458	-	-
Street lights	249,043	162,196	-	-
Street signs	57,094	49,384	-	-
Engineering	436,680	656,880	-	-
Interest on long-term debt	659,180	450,180	-	-
Water	-	-	5,471,980	4,621,596
Total expenses	<u>19,702,153</u>	<u>16,134,585</u>	<u>5,471,980</u>	<u>4,621,596</u>
OTHER SOURCES				
Transfers in	100,000	-	-	1,100,000
Transfers out	-	(1,100,000)	(100,000)	-
Total other sources	<u>100,000</u>	<u>(1,100,000)</u>	<u>(100,000)</u>	<u>1,100,000</u>
CHANGES IN NET ASSETS	(1,955,813)	27,719,252	1,623,468	6,220,762
Net assets, July 1, 2010	<u>161,671,610</u>	<u>133,952,358</u>	<u>40,184,722</u>	<u>33,963,960</u>
Net assets, June 30, 2011	<u>\$ 159,715,797</u>	<u>\$ 161,671,610</u>	<u>\$ 41,808,190</u>	<u>\$ 40,184,722</u>

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities' net assets decreased by \$1,955,813 for the year ended June 30, 2011. The major reason for the decrease is the lower 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.

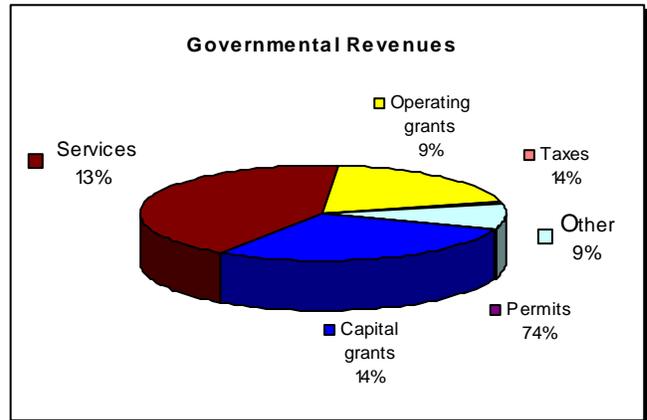
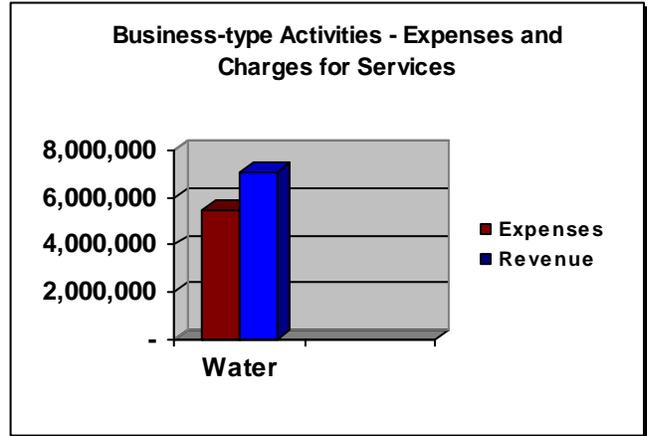


Business-type activities contributed an amount of \$1,623,468. The most significant reason for this increase in business-type activities is a capital contribution from developers.

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, 2011.

For the period ended June 30, 2011, the City's governmental funds reported combined net assets in the amount of \$5,069,176 with a decrease of \$2,525,026 compared with the prior fiscal year. Of the total balance at year-end, \$747,943 is unassigned. Of the remaining \$4,321,233 of combined net assets, \$2,204,192 is reserved for servicing the City's debt, with the remaining \$2,117,041 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2011, the general fund's unreserved fund balance was \$747,943. The total fund balance of the general fund for Herriman City decreased by \$289,080. 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 \$30,605. The fund balance in the capital improvement fund decreased by \$419,271.

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 expenses of \$840,024. Most of the increase was a result of increase from road projects. The budget in the public safety special revenue was increased from additional public safety expense for the fund. The town center special revenue fund was decreased from capital expenditures. The road special revenue fund was decreased from debt service expense being recorded in other funds. The fire impact special revenue was increased from capital outlay for fire services. The capital improvement fund was increased from additional capital 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 \$218,840,175 (net of \$38,532,855 accumulated depreciation) at June 30, 2011. Types of assets included in this category are land, buildings and related improvements, vehicles, machinery and equipment, roads (including curb and gutter), street lights, traffic signals, water and waste water distribution and collection systems, and construction in progress of \$3,541,624. The City's investment in net capital assets equals nearly 88% of total assets. Governmental activities net capital assets to governmental activities assets equaled 75% while the business-type activities percentage was 25%.

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

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Land	\$ 57,163,122	\$ 54,997,622	\$ 1,457,212	\$ 1,457,212
Easements	6,172,564	4,787,615	-	-
Infrastructure	927,113	927,113	-	-
Buildings	6,238,620	6,238,620	58,400	58,400
Water rights	-	-	7,137,933	6,978,326
Improvements, other than buildings	119,799,497	114,895,790	48,963,249	47,311,117
Vehicles	2,501,913	2,500,513	325,737	325,737
Office furniture and equipment	2,432,631	2,303,032	653,415	411,756
Construction in progress	348,708	111,297	3,192,916	-
Accumulated depreciation	(30,585,682)	(22,338,989)	(7,947,173)	(6,146,574)
Net book value	<u>\$ 164,998,486</u>	<u>\$ 164,422,613</u>	<u>\$ 53,841,689</u>	<u>\$ 50,395,974</u>

At June 30, 2011, Herriman City's total debt amounted to \$44,719,008. Of this amount \$25,913,033 was governmental activities and \$18,805,775 was 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 \$1,328,347.

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	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$ 7,850,000	\$ 7,850,000	\$ 18,618,000	\$ 12,409,000	\$ 26,468,000	\$ 20,259,000
Special assessment bonds	18,295,000	18,295,000	-	-	18,295,000	18,295,000
Bond Discount or premium	(231,967)	(244,063)	187,975	193,045	(43,992)	(51,018)
Installment obligation	1,328,347	2,411,367	-	-	1,328,347	2,411,367
Capital leases	283,606	427,982	43,981	75,710	327,587	503,692
Total	<u>\$ 27,524,986</u>	<u>\$ 28,740,286</u>	<u>\$ 18,849,956</u>	<u>\$ 12,677,755</u>	<u>\$ 46,374,942</u>	<u>\$ 41,418,041</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of July 2011, 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 the fiscal year ended 2011 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 South Pioneer Street, Herriman, Utah 84065.

HERRIMAN CITY

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents			
Restricted	\$ 3,062,362	\$ 5,238,617	\$ 8,300,979
Unrestricted	940,063	1,484,240	2,424,303
Receivables			
Property, and franchise and excise taxes	1,008,507	-	1,008,507
Special assessments receivable	600,000	-	600,000
Accounts, less allowance for doubtful accounts of \$0	467,329	247,830	715,159
Prepaid expenses	-	-	-
Inventory	-	148,238	148,238
Total current assets	<u>6,078,261</u>	<u>7,118,925</u>	<u>13,197,186</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	<u>1,485,025</u>	<u>479,204</u>	<u>1,964,229</u>
Property and equipment, net			
Land and water rights	57,163,122	8,595,146	65,758,268
Easements	6,172,564	-	6,172,564
Infrastructure	688,371	-	688,371
Buildings	4,927,765	49,397	4,977,162
Improvements, other than buildings	94,519,691	41,668,521	136,188,212
Vehicles	297,861	49,781	347,642
Office furniture and equipment	880,404	285,928	1,166,332
Construction in progress	348,708	3,192,916	3,541,624
Net property and equipment	<u>164,998,486</u>	<u>53,841,689</u>	<u>218,840,175</u>
Other non-current assets			
Long term special assessments	16,664,354	-	16,664,354
Bond issue costs, less accumulated amortization of \$102,271	480,285	454,946	935,231
Total other noncurrent assets	<u>17,144,639</u>	<u>454,946</u>	<u>17,599,585</u>
Total noncurrent assets	<u>183,628,150</u>	<u>54,775,839</u>	<u>238,403,989</u>
Total assets	<u>\$189,706,411</u>	<u>\$ 61,894,764</u>	<u>\$251,601,175</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Net Assets, Continued June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 1,113,123	\$ 881,741	\$ 1,994,864
Current portion of long-term debt payable from restricted assets	857,904	639,000	1,496,904
Current portion of capital leases	152,793	32,327	185,120
Current portion installment obligation	1,163,398	-	1,163,398
Accrued liabilities	187,771	19,920	207,691
Deferred revenue	403,055	-	403,055
Accrued interest, payable from restricted assets	303,323	298,871	602,194
Total current liabilities	<u>4,181,367</u>	<u>1,871,859</u>	<u>6,053,226</u>
NONCURRENT LIABILITIES			
Long-term compensation liability	268,194	36,285	304,479
Bonds payable from restricted sources	25,055,129	18,166,774	43,221,903
Capital leases	130,813	11,655	142,468
Installment obligations	164,949	-	164,949
Construction bonds	190,162	-	190,162
Total noncurrent liabilities	<u>25,809,247</u>	<u>18,214,714</u>	<u>44,023,961</u>
Total liabilities	<u>29,990,614</u>	<u>20,086,573</u>	<u>50,077,187</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	137,476,378	34,991,518	172,467,896
Restricted for:			
Capital projects	1,135,743	1,139,044	2,274,787
Debt service	1,485,025	479,204	1,964,229
Other restricted	144,055	-	144,055
Unrestricted	19,474,596	5,198,425	24,673,021
Total net assets	<u>159,715,797</u>	<u>41,808,191</u>	<u>201,523,988</u>
Total liabilities and net assets	<u>\$ 189,706,411</u>	<u>\$ 61,894,764</u>	<u>\$ 251,601,175</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Activities Fiscal Year Ended June 30, 2011

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		Total
					Government Activities	Business- Type Activities	
PRIMARY GOVERNMENT							
Government activities							
General government	\$ 4,843,784	\$ 3,169,430	\$ 10,688	\$ -	\$ (1,663,666)	\$ -	\$ (1,663,666)
Facilities	252,122	-	-	-	(252,122)	-	(252,122)
Information technology	466,420	-	-	-	(466,420)	-	(466,420)
Highway and streets	4,265,000	602,933	656,599	4,690,540	1,685,072	-	1,685,072
Storm drain	975,076	107,485	-	428,394	(439,197)	-	(439,197)
Cemetery	59,343	52,134	-	-	(7,209)	-	(7,209)
Public safety	2,407,954	2,530,704	14,551	-	137,301	-	137,301
Parks	2,036,728	816,099	-	-	(1,220,629)	-	(1,220,629)
Non-departmental	225,639	-	-	-	(225,639)	-	(225,639)
Community development	2,350,794	117,340	820,860	-	(1,412,594)	-	(1,412,594)
Community affairs	417,296	-	-	-	(417,296)	-	(417,296)
Street lights	249,043	-	-	-	(249,043)	-	(249,043)
Street signs	57,094	-	-	-	(57,094)	-	(57,094)
Engineering	436,680	-	-	-	(436,680)	-	(436,680)
Interest on long-term debt	659,180	-	-	-	(659,180)	-	(659,180)
Total government activities	<u>19,702,153</u>	<u>7,396,125</u>	<u>1,502,698</u>	<u>5,118,934</u>	<u>(5,684,396)</u>	<u>-</u>	<u>(5,684,396)</u>
Business-type activities							
Water	5,471,980	4,469,327	-	2,623,404	-	1,620,751	1,620,751
Total business-type activities	<u>5,471,980</u>	<u>4,469,327</u>	<u>-</u>	<u>2,623,404</u>	<u>-</u>	<u>1,620,751</u>	<u>1,620,751</u>
Total primary government	<u>\$ 25,174,133</u>	<u>\$ 11,865,452</u>	<u>\$ 1,502,698</u>	<u>\$ 7,742,338</u>	<u>(5,684,396)</u>	<u>1,620,751</u>	<u>(4,063,645)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					475,937	-	475,937
Franchise taxes					1,133,699	-	1,133,699
Sales taxes					1,901,649	-	1,901,649
Gain or loss on sale of assets					-	-	-
Other revenues					74,130	83,643	157,773
Investment earnings					43,168	19,074	62,242
Transfers					100,000	(100,000)	-
Total general revenues, special items, and transfers					<u>3,728,583</u>	<u>2,717</u>	<u>3,731,300</u>
Changes in net assets					(1,955,813)	1,623,468	(332,345)
Net assets, July 1, 2010					<u>161,671,610</u>	<u>40,184,723</u>	<u>201,856,333</u>
Net assets, June 30, 2011					<u>\$ 159,715,797</u>	<u>\$ 41,808,191</u>	<u>\$ 201,523,988</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Balance Sheet Governmental Funds June 30, 2011

	<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>
ASSETS						
ASSETS						
Cash and cash equivalents	\$ 800,490	\$ 139,466	\$ -	\$ -	\$ 107	\$ 940,063
Receivables						
Property, franchise, and excise tax	1,008,507	-	-	-	-	1,008,507
Other receivables, less allowance for doubtful loans of \$0	421,037	-	-	-	46,292	467,329
Special assessments	-	-	-	17,264,354	-	17,264,354
Due from other funds	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Restricted cash and cash equivalents	-	125	144,056	3,440,932	962,274	4,547,387
Total assets	<u>\$ 2,230,034</u>	<u>\$ 139,591</u>	<u>\$ 144,056</u>	<u>\$ 20,705,286</u>	<u>\$ 1,008,673</u>	<u>\$ 24,227,640</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 701,315	\$ 14,004	\$ 256	\$ 310,924	\$ 86,624	\$ 1,113,123
Accrued liabilities	187,559	-	61	-	151	187,771
Construction bonds	190,162	-	-	-	-	190,162
Deferred revenue	403,055	-	-	17,264,353	-	17,667,408
Total liabilities	<u>1,482,091</u>	<u>14,004</u>	<u>317</u>	<u>17,575,277</u>	<u>86,775</u>	<u>19,158,464</u>
FUND BALANCES						
Unassigned	747,943	-	-	-	-	747,943
Assigned capital improvements	-	125,462	-	-	107	125,569
Reserved for:						
Bond sinking funds	-	125	-	2,204,192	-	2,204,317
Other purposes	-	-	143,739	925,817	921,791	1,991,347
Total fund balances	<u>747,943</u>	<u>125,587</u>	<u>143,739</u>	<u>3,130,009</u>	<u>921,898</u>	<u>5,069,176</u>
Total liabilities and fund balances	<u>\$ 2,230,034</u>	<u>\$ 139,591</u>	<u>\$ 144,056</u>	<u>\$ 20,705,286</u>	<u>\$ 1,008,673</u>	<u>\$ 24,227,640</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, 2011

Total Fund Balance		\$ 5,069,176
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	\$ 57,163,122	
Infrastructure	927,113	
Easements	6,172,564	
Buildings	6,238,620	
Improvements, other than buildings	119,799,499	
Office equipment	2,432,632	
Construction in progress	348,708	
Vehicles	2,501,913	
Less accumulated depreciation	<u>(30,585,685)</u>	
Total capital assets		164,998,486
Bond costs are expensed in the governmental funds and capitalized and amortized in the government wide statements.		
		480,285
Special assessment revenue is recognized when the levy is made and when measurable and available in the government funds.		
		17,264,351
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	(268,194)	
Installment obligations	(1,328,345)	
Accrued interest	(303,323)	
Bonds payable	(25,913,033)	
Capital leases	<u>(283,606)</u>	
Total liabilities		<u>(28,096,501)</u>
Total net assets of governmental activities		<u>\$ 159,715,797</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, 2011

	General	Capital Projects	Public Safety	Special Revenue Town Center	Other Governmental Funds	Totals
REVENUES						
General property taxes	\$ 475,937	\$ -	\$ -	\$ -	\$ -	\$ 475,937
Sales, use, and excise taxes	2,152,943	-	-	-	-	2,152,943
Franchise taxes	882,406	-	-	-	-	882,406
Licenses	49,530	-	-	-	-	49,530
Permits	1,726,173	-	-	-	-	1,726,173
Interest	18,010	-	-	-	1,368	19,378
Intergovernmental	669,375	-	-	-	-	669,375
Fines	156,398	-	-	-	-	156,398
Impact fees	-	-	-	833,750	813,733	1,647,483
Charges for services	1,020,809	1,340,074	1,921,780	1,079,241	205,683	5,567,587
Contributions	-	-	-	-	-	-
Grants	23,324	86,250	-	-	-	109,574
Sale of assets	-	-	-	-	-	-
Miscellaneous	138,966	-	-	23,790	-	162,756
Total revenues	<u>7,313,871</u>	<u>1,426,324</u>	<u>1,921,780</u>	<u>1,936,781</u>	<u>1,020,784</u>	<u>13,619,540</u>
EXPENDITURES						
Current						
Administration	1,076,330	-	-	-	-	1,076,330
Facilities	253,407	-	-	-	-	253,407
Information technology	487,740	-	-	-	-	487,740
Highway and streets	847,859	-	-	-	-	847,859
Street lights	272,812	-	-	-	-	272,812
Storm drain maintenance	260,578	-	-	-	-	260,578
Street signs	57,094	-	-	-	-	57,094
Cemetery	43,403	-	-	-	-	43,403
Public safety	836,505	-	2,036,582	-	-	2,873,087
Parks and recreations	1,239,875	89,838	-	-	-	1,329,713
Community affairs	528,740	-	-	-	-	528,740
Engineering	454,325	-	-	-	-	454,325
Fleet management	143,621	-	-	-	-	143,621
Human resources	134,544	-	-	-	-	134,544
Community development	582,322	-	-	2,924,715	-	3,507,037
Capital outlay	-	1,755,703	-	-	655,022	2,410,725
Principal	-	-	-	-	-	-
Interest and other fiscal charges	383,796	-	-	1,179,755	-	1,563,551
Total expenditures	<u>7,602,951</u>	<u>1,845,541</u>	<u>2,036,582</u>	<u>4,104,470</u>	<u>655,022</u>	<u>16,244,566</u>
Revenues over (under) expenditures	<u>(289,080)</u>	<u>(419,217)</u>	<u>(114,802)</u>	<u>(2,167,689)</u>	<u>365,762</u>	<u>(2,625,026)</u>
OTHER FINANCING SOURCES (USES)						
Lease proceeds	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-
Operating transfers in	-	-	84,197	-	100,000	184,197
Operating transfers out	(84,197)	-	-	-	-	(84,197)
Total other financing sources (uses)	<u>(84,197)</u>	<u>-</u>	<u>84,197</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Revenue and other sources over (under) expenditures and other uses	<u>(373,277)</u>	<u>(419,217)</u>	<u>(30,605)</u>	<u>(2,167,689)</u>	<u>465,762</u>	<u>(2,525,026)</u>
FUND BALANCE, JULY 1, 2010	<u>1,121,220</u>	<u>544,804</u>	<u>174,344</u>	<u>5,297,698</u>	<u>456,136</u>	<u>7,594,202</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 747,943</u>	<u>\$ 125,587</u>	<u>\$ 143,739</u>	<u>\$ 3,130,009</u>	<u>\$ 921,898</u>	<u>\$ 5,069,176</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, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (2,525,026)
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 (\$3,208,711) is less than depreciation expense (\$8,246,693).		
		(5,037,982)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		144,375
Installment obligations are recorded as expenditure in the fund statements and recorded as a reduction in principal in the government wide statements.		1,083,020
Bond discount amortization is not recorded in the government funds but is amortized in the government wide statements.		(35,837)
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	\$ (38,246)	
Accrued interest	<u>(129,325)</u>	
		(167,571)
Contributions from the developer from assets contributed to the City are financial resources and are not reported as revenues in the funds.		5,613,855
Special assessments are recognized when levied and are recorded in the fund statement when measurable and available.		<u>(1,030,647)</u>
Change in net assets of governmental activities		<u><u>\$ (1,955,813)</u></u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Net Assets Proprietary Funds June 30, 2011

	Business-type Activities Water/Sewer
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ 5,238,617
Unrestricted	1,484,240
Receivables	
Accounts, less allowance for doubtful accounts of \$0	247,830
Inventory	148,238
Total current assets	<u>7,118,925</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>479,204</u>
Property and equipment, at cost	
Land and water rights	8,595,146
Work in process	3,192,916
Buildings	58,400
Vehicles	325,734
Improvements, other than buildings	48,963,248
Office furniture and equipment	653,416
Accumulated depreciation	<u>(7,947,171)</u>
Net property and equipment	<u>53,841,689</u>
Bond issue costs, less accumulated amortization of \$43,828	<u>454,946</u>
Total noncurrent assets	<u>454,946</u>
Total assets	<u>\$ 61,894,764</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 881,741
Current portion of long-term debt payable from restricted assets	639,000
Current portion of capital leases	32,327
Accrued liabilities	19,920
Accrued interest	298,871
Total current liabilities	<u>1,871,859</u>
NONCURRENT LIABILITIES	
Long-term compensation liability	36,285
Capital leases	11,655
Bonds payable from restricted assets	<u>18,166,774</u>
Total noncurrent liabilities	<u>18,214,714</u>
Total liabilities	<u>20,086,573</u>
<u>NET ASSETS</u>	
Investment in capital assets, net of related debt	34,991,518
Restricted for:	
Capital projects	1,139,044
Debt service	479,204
Unrestricted	<u>5,198,425</u>
Total net assets	<u>41,808,191</u>
Total liabilities and net assets	<u>\$ 61,894,764</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, 2011

	Business-type Activities Water/Sewer
OPERATING REVENUE	
Sales and charges for services	\$ 4,469,327
Total operating revenue	<u>4,469,327</u>
OPERATING EXPENSES	
Personal services	630,502
Supplies	822,007
Water purchases	1,399,284
Utilities	262,028
Depreciation and amortization	1,800,599
Total expenses	<u>4,914,420</u>
Operating income	<u>(445,093)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	19,074
Impact fees	957,006
Other	83,643
Interest expense	(557,560)
Total nonoperating revenues (expenses)	<u>502,163</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	<u>1,666,398</u>
Total capital contributions	<u>1,666,398</u>
Transfers	
Transfers in	<u>(100,000)</u>
Increase in net assets	1,623,468
NET ASSETS, JULY 1, 2010	<u>40,184,723</u>
NET ASSETS, JUNE 30, 2011	<u>\$ 41,808,191</u>

The accompanying notes are an integral part of this statement.

HERRIMAN CITY

Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,496,978
Payments to suppliers	(1,848,108)
Payments to employees	(650,528)
Net cash provided by operating activities	<u>1,998,342</u>
CASH FLOWS FROM NONCAPITAL FINANCING	
Interfund loans	(100,000)
Net cash (used) by noncapital financing	<u>(100,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	957,006
Purchase of capital assets	(3,579,915)
Sale of assets	-
Bond proceeds	6,585,000
Principal paid on capital leases	(31,728)
Bond payments	(376,000)
Bond costs amortization	(210,573)
Interest paid on bonds and leases	(209,714)
Net cash from capital and related financing activities	<u>3,134,076</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	19,074
Net cash provided from investing activities	<u>19,074</u>
Net increase in cash and cash equivalents	5,051,492
CASH AND CASH EQUIVALENTS, JULY 1, 2010	<u>2,150,569</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2011	<u>\$ 7,202,061</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (445,093)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,800,599
Increase (decrease) due to changes in:	
Accounts receivable	27,650
Inventory	26,921
Accounts payable	608,291
Accrued liabilities affecting operating activities	(19,739)
Other liabilities	(287)
Net cash provided by operating activities	<u>\$ 1,998,342</u>

The proprietary fund had assets contributed to the City of \$1,666,398

HERRIMAN CITY

Notes to the Financial Statements Fiscal Year Ended June 30, 2011

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 is 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, 2011. 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, 2011, 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 13.37% 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, 2011, 2010, and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Noncontributory employer contributions			
Salary	\$ 2,675,415	\$ 2,755,229	\$ 2,682,773
Employer contributions	386,939	321,260	311,737
401(k) Plan			
Employee contributions	94,686	102,438	110,305
Employer contributions	66,303	69,657	66,478
457 Plan			
Employee contributions	13,979	15,346	17,920
Employer contributions	9,031	8,554	9,531
IRA Employee paid	300	-	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, 2011.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Land	\$ 54,997,622	\$ 2,165,500	\$ -	\$ 57,163,122
Easements	4,787,615	1,384,949	-	6,172,564
Work in process	111,297	237,411	-	348,708
Total nondepreciated assets	<u>59,896,534</u>	<u>3,787,860</u>	<u>-</u>	<u>63,684,394</u>
Depreciated assets				
Buildings	6,238,620	-	-	6,238,620
Improvements	114,895,790	4,903,707	-	119,799,497
Equipment	2,303,032	129,599	-	2,432,631
Other Infrastructure	927,113	-	-	927,113
Vehicles	2,500,513	1,400	-	2,501,913
Total depreciated assets	<u>126,865,068</u>	<u>5,034,706</u>	<u>-</u>	<u>131,899,774</u>
Less accumulated depreciation				
Buildings	(1,111,357)	(199,497)	-	(1,310,854)
Improvements	(17,760,960)	(7,518,848)	-	(25,279,808)
Equipment	(1,325,711)	(226,515)	-	(1,552,226)
Other infrastructure	(189,635)	(49,108)	-	(238,743)
Vehicles	(1,951,326)	(252,725)	-	(2,204,051)
Total accumulated depreciation	<u>(22,338,989)</u>	<u>(8,246,693)</u>	<u>-</u>	<u>(30,585,682)</u>
Net assets depreciated	<u>104,526,079</u>	<u>(3,211,987)</u>	<u>-</u>	<u>101,314,092</u>
Total governmental activities	<u>164,422,613</u>	<u>575,873</u>	<u>-</u>	<u>164,998,486</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,457,212	-	-	1,457,212
Water rights	6,978,326	159,607	-	7,137,933
Work in process	-	3,192,916	-	3,192,916
Total nondepreciated assets	<u>8,435,538</u>	<u>3,352,523</u>	<u>-</u>	<u>11,788,061</u>
Depreciated assets				
Vehicles	325,737	-	-	325,737
Buildings	58,400	-	-	58,400
Improvements	47,311,117	1,652,132	-	48,963,249
Equipment	411,756	241,659	-	653,415
Total depreciated assets	<u>48,107,010</u>	<u>1,893,791</u>	<u>-</u>	<u>50,000,801</u>
Less accumulated depreciation				
Vehicles	(247,204)	(28,752)	-	(275,956)
Buildings	(7,543)	(1,460)	-	(9,003)
Improvements	(5,590,497)	(1,704,229)	-	(7,294,726)
Equipment	(301,330)	(66,158)	-	(367,488)
Total accumulated depreciation	<u>(6,146,574)</u>	<u>(1,800,599)</u>	<u>-</u>	<u>(7,947,173)</u>
Net assets depreciated	<u>41,960,436</u>	<u>93,192</u>	<u>-</u>	<u>42,053,628</u>
Total business-type assets	<u>50,395,974</u>	<u>3,445,715</u>	<u>-</u>	<u>53,841,689</u>
Total combined assets	<u>\$ 214,818,587</u>	<u>\$ 4,021,588</u>	<u>\$ -</u>	<u>\$ 218,840,175</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<u>DEPRECIATION EXPENSE</u>			
FUNCTION			
General government	\$ 3,158,903	\$ -	\$ 3,158,903
Highway and streets	3,496,332	-	3,496,332
Cemetery	15,946	-	15,946
Engineering	5,026	-	5,026
Parks	831,954	-	831,954
Public safety	34,053	-	34,053
Flood control	704,479	-	704,479
Water	-	1,800,599	1,800,599
	<u>-</u>	<u>1,800,599</u>	<u>1,800,599</u>
Totals	<u>\$ 8,246,693</u>	<u>\$ 1,800,599</u>	<u>\$ 10,047,292</u>

4. **INTERFUND TRANSFERS**

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ (81,197)
Public Safety	81,197	-
Parks special revenue fund	100,000	-
Water fund	-	(100,000)
	<u>-</u>	<u>(100,000)</u>
Total funds	<u>\$ 181,197</u>	<u>\$ (181,197)</u>

The purpose of the transfers to the public safety was to provide for operation of the fund. The transfer to the parks fund was for construction projects.

5. **RELATED PARTY TRANSACTIONS**

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

6. LONG TERM DEBT

Bonds payable at June 30, 2011, are comprised of the following individual issues:

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2011</u>	<u>Due Within One Year</u>
<u>BONDS PAYABLE</u>					
GOVERNMENTAL ACTIVITIES					
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	\$ 200,000
SSA Bond	18,295,000	-	-	18,295,000	(12,096)
Bond discount	(244,063)	-	12,096	(231,967)	670,000
Total governmental long-term debt	<u>25,900,937</u>	<u>-</u>	<u>12,096</u>	<u>25,913,033</u>	<u>857,904</u>
BUSINESS-TYPE ACTIVITIES					
Series 2003 water revenue bonds original issue was \$3,600,000 with interest at 1.9%. The bonds are secured by water revenues and mature in 2024.	2,655,000	-	(168,000)	2,487,000	171,000
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.	219,000	-	(73,000)	146,000	73,000
Series 2011 water revenue bonds original issue was \$6,585,000 with interest at 1.9%. The bonds are secured by water revenues and mature in 2024.	-	6,585,000	-	6,585,000	255,000
Herriman City Water Revenue & Refunding Bonds series 2007. The bonds bear interest at 4% and mature in 2033.	9,535,000	-	(135,000)	9,400,000	140,000
Premium	193,045	-	(5,271)	187,774	-
Total business-type long-term debt	<u>12,602,045</u>	<u>6,585,000</u>	<u>(381,271)</u>	<u>18,805,774</u>	<u>639,000</u>
Total bonds payable	<u>\$ 38,502,982</u>	<u>\$6,585,000</u>	<u>\$ (369,175)</u>	<u>\$44,718,807</u>	<u>\$ 1,496,904</u>
GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES					
Compensated absences	\$ 229,949	\$ 38,245	\$ -	\$ 268,194	\$ -
Capital leases	427,982	-	(144,376)	283,606	152,793
Land installment obligations	2,411,367	-	(1,083,020)	1,328,347	1,163,398
BUSINESS, OTHER LIABILITIES					
Compensated absences	36,572		(287)	36,285	-
Capital leases	76,603		(32,621)	43,982	32,327

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, 2011, for the business fund is listed in the following table:

Year Ending 30-Jun	Series 2003A Revenue Bonds			Series 2005 Taxable Bonds		
	Rate	Principal	Interest	Rate	Principal	Interest
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	1.86%	184,000	33,182	0.00%	-	-
2017-2020	1.86%	972,000	113,330	-	-	-
2021-2025	1.86%	628,000	23,510	-	-	-
Totals		\$ 2,487,000	\$ 335,748		\$ 146,000	\$ 6,570

The annual debt requirement to maturity, including principal and interest as of June 30, 2011, for the governmental funds is listed in the following tables:

Year Ending 30-Jun	Series 2007 Water Revenue	
	Principal	Interest
2012	\$ 140,000	\$ 411,375
2013	145,000	405,675
2014	225,000	398,275
2015	230,000	389,175
2016	240,000	379,775
2017-2020	1,060,000	1,415,737
2021-2025	920,000	1,552,500
2026-2030	4,130,000	1,071,897
2031-2036	2,310,000	311,850
Totals	\$9,400,000	\$6,336,259

Series 2008		
Sales and Franchise tax bond		
Year Ending 30-Jun	Principal	Interest
2012	\$ 200,000	\$ 380,996
2013	200,000	375,071
2014	200,000	368,196
2015	225,000	360,452
2016	225,000	356,458
2017-2021	1,325,000	1,681,266
2022-2026	1,680,000	1,368,139
2027-2031	2,175,000	930,277
2032-2036	1,620,000	304,880
Totals	<u>\$7,850,000</u>	<u>\$6,125,735</u>

Series 2010		
Sales and Franchise tax bond		
Year Ending 30-Jun	Principal	Interest
2012	\$ 670,000	\$ 813,035
2013	690,000	792,635
2014	710,000	711,635
2015	730,000	749,670
2016	755,000	714,210
2017-2021	4,220,000	3,164,082
2022-2026	5,245,000	2,211,238
2027-2031	5,275,000	698,750
Totals	<u>\$ 18,295,000</u>	<u>\$ 9,855,255</u>

Series 2011		
Water Revenue Bonds		
Year Ending 30-Jun	Principal	Interest
2012	\$ 255,000	\$ 120,432
2013	245,000	116,757
2014	250,000	113,007
2015	255,000	107,907
2016	270,000	103,857
2017-2021	1,465,000	454,249
2022-2026	3,845,000	232,098
2027-2031	-	-
Totals	<u>\$ 6,585,000</u>	<u>\$ 1,248,307</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, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 12,689,510

Cash investments and cash equivalents as of June 30, 2011, consist of the following:

Deposits with financial institutions	\$ 2,244,228
Petty cash	65
Investments, state treasurer	<u>10,445,217</u>
Total cash and cash equivalents	<u>\$ 12,689,510</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, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1 Year</u>	<u>More Than 1, Less Than 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer investment fund	\$ 10,445,217	\$ 10,445,217	\$ -	\$ -
Total investments	\$ 10,445,217	\$ 10,445,217	\$ -	\$ -

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, 2011, 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, 2011, \$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	\$ 118,196	\$ -	\$ 118,196
Special revenue, street signs	37,273	-	37,273
Special revenue, park impact fees	264,192	-	264,192
Special revenue, flood control	47,501	-	47,501
Special revenue, road impact fees	293,972	-	293,972
Mayor Crane special revenue fund	631	-	631
Special revenue, public safety	143,739	-	143,739
Capital improvements fund	125	-	125
Town center debt service	2,204,192	-	2,204,192
Town center projects	925,817	-	925,817
Herriman Parkway	160,026	-	160,026
Bond reserve funds	-	479,204	479,204
Water impact fees	-	1,139,044	1,139,044
	<u>\$ 4,195,664</u>	<u>\$ 1,618,248</u>	<u>\$ 5,813,912</u>

9. INTEREST EXPENSE

The proprietary fund incurred \$557,560 in interest expense of which \$557,560 was charged to expense and \$0 was capitalized.

10. RESTRICTED CASH

The City has restricted cash of \$1,279,950 for impact fees, and \$3,267,437 for debt service in the governmental funds. The City has \$1,139,044 for impact fees, and 4,578,777 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, 2011, 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 \$ 1,666,398.

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, 2011, 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, 2011. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2012	\$ 34,600
June 30, 2013	12,042
June 30, 2014	-
June 30, 2015	-
Thereafter	-
Totals	<u>46,642</u>
Less amounts representing interest	<u>(2,660)</u>
Present value	43,982
Less current portion	<u>(32,327)</u>
Long term	<u>\$ 11,655</u>

The depreciation expense from these assets was \$12,423 in 2011. 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, 2011, 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, 2011.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2012	\$ 170,523
June 30, 2013	106,835
June 30, 2014	35,650
June 30, 2015	-
Thereafter	-
Totals	<u>313,008</u>
Less amounts representing interest	<u>(29,402)</u>
Present value	283,606
Less current portion	<u>(152,793)</u>
Long term	<u>\$ 130,813</u>

17. NEW ISSUED ACCOUNTING STANDARDS

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

GASB 57 OPEB

GASB 58 Bankruptcies

GASB 59 Financial instruments

GASB 60 Accounting and financial reporting for Service Concession Arrangements.

GASB 61 The Financial Reporting Entity

GASB 62 Codification of Accounting and Financial Reporting

GASB 63 Financial Reporting of Deferred Outflows of resources, Deferred Inflows of Resources, and Net Position

GASB 64 Derivative Instruments

None of the statements will have any financial impact on the financial statements.

18. COMPLIANCE

The City has over spent the budget in the storm drain, community affairs, and debt service of the general fund. The town center special revenue and the capital improvements funds have over spent their budgets.

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.

20. FUND BALANCE

These financial statements include the provisions of GASB Statement No. 54 which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the council.

Assigned - Amounts that are designated by the Council for a specific purpose but are not spendable until specific conditions are met.

Unassigned - All amounts not included in the other spendable classifications.

The details of the fund balances are included in the governmental funds balance sheet and statement of net assets. Restricted funds are used first as appropriate. Assigned funds are used when specific conditions are met. Decreases to the fund balance first reduce unassigned fund balances. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

The General Fund has unassigned fund balance in the amount of \$747,943 at June 30, 2011.

21. **SUBSEQUENT EVENTS**

The City has evaluated subsequent events through November 20, 2011, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HERRIMAN CITY

Budgetary Comparison Schedule General Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with
				Basis	Final Budget
REVENUES					
General property taxes	\$ 462,000	\$ -	\$ 462,000	\$ 475,937	\$ 13,937
Sales, use, and excise taxes	2,794,800	-	2,794,800	2,152,943	(641,857)
Franchise taxes	100,000	-	100,000	882,406	782,406
Licenses	84,520	-	84,520	49,530	(34,990)
Permits	1,764,862	-	1,764,862	1,726,173	(38,689)
Interest	25,000	-	25,000	18,010	(6,990)
Intergovernmental	765,000	-	765,000	669,375	(95,625)
Fines	180,000	-	180,000	156,398	(23,602)
Charges for services	390,300	-	390,300	1,020,809	630,509
Grants	33,000	-	33,000	23,324	(9,676)
Miscellaneous	292,178	-	292,178	138,966	(153,212)
Total revenues	<u>6,891,660</u>	<u>-</u>	<u>6,891,660</u>	<u>7,313,871</u>	<u>422,211</u>
EXPENDITURES					
Administrative	1,159,818	(927)	1,158,891	1,076,330	82,561
Facilities	277,531	8,550	286,081	253,407	32,674
Information technology	459,591	49,084	508,675	487,740	20,935
Highways and streets	665,564	381,026	1,046,590	847,859	198,731
Street lights	267,269	31,924	299,193	272,812	26,381
Storm drain maintenance	247,838	(51,626)	196,212	260,578	(64,366)
Street signs	98,883	(30,883)	68,000	57,094	10,906
Cemetery	42,777	6,427	49,204	43,403	5,801
Public safety	466,737	387,976	854,713	836,505	18,208
Parks and recreation	1,308,280	50,442	1,358,722	1,239,875	118,847
Community affairs	443,430	(59,135)	384,295	528,740	(144,445)
Engineering	466,735	49,735	516,470	454,325	62,145
Fleet management	146,371	4,378	150,749	143,621	7,128
Human resources	164,632	(1,043)	163,589	134,544	29,045
Community development	810,463	7,931	818,394	582,322	236,072
Interest	-	6,165	6,165	383,796	(377,631)
Total expenditures	<u>7,025,919</u>	<u>840,024</u>	<u>7,865,943</u>	<u>7,602,951</u>	<u>262,992</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(134,259)</u>	<u>(840,024)</u>	<u>(974,283)</u>	<u>(289,080)</u>	<u>685,203</u>
OTHER FINANCING SOURCES					
Transfers out	-	(85,000)	(85,000)	(84,197)	803
Transfers in	154,259	-	-	-	-
Total other financing sources	<u>154,259</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>(84,197)</u>	<u>803</u>
Net change in fund balance	20,000	(925,024)	(1,059,283)	(373,277)	686,006
FUND BALANCE, JULY 1, 2010	<u>1,121,220</u>	<u>1,121,220</u>	<u>1,121,220</u>	<u>1,121,220</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 1,141,220</u>	<u>\$ 196,196</u>	<u>\$ 61,937</u>	<u>\$ 747,943</u>	<u>\$ 686,006</u>

HERRIMAN CITY

Budgetary Comparison Schedule Public Safety Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 1,934,863	\$ (13,673)	\$ 1,921,190	\$ 1,921,780	\$ 590
Interest	-	-	-	-	-
Total revenues	<u>1,934,863</u>	<u>(13,673)</u>	<u>1,921,190</u>	<u>1,921,780</u>	<u>590</u>
EXPENDITURES					
Public Safety	<u>1,934,164</u>	<u>116,536</u>	<u>2,050,700</u>	<u>2,036,582</u>	<u>14,118</u>
Total expenditures	<u>1,934,164</u>	<u>116,536</u>	<u>2,050,700</u>	<u>2,036,582</u>	<u>14,118</u>
Excess of revenues over expenditures (usage of fund balance)	<u>699</u>	<u>(130,209)</u>	<u>(129,510)</u>	<u>(114,802)</u>	<u>14,708</u>
OTHER FINANCES SOURCES (USES)					
Transfers in	-	85,000	85,000	84,197	(803)
Total other financing sources	<u>-</u>	<u>85,000</u>	<u>85,000</u>	<u>84,197</u>	<u>(803)</u>
Net change in fund balance	699	(45,209)	(44,510)	(30,605)	13,905
FUND BALANCE, JULY 1, 2010	<u>174,344</u>	<u>174,344</u>	<u>174,344</u>	<u>174,344</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 175,043</u>	<u>\$ 129,135</u>	<u>\$ 129,834</u>	<u>\$ 143,739</u>	<u>\$ 13,905</u>

HERRIMAN CITY

Budgetary Comparison Schedule Towne Center Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -	\$ 833,750	\$ 833,750
Contributions	-	-	-	1,079,241	1,079,241
Interest	-	24,250	24,250	23,790	(460)
Total revenues	-	24,250	24,250	1,936,781	1,912,531
EXPENDITURES					
Capital outlay	4,975,000	(2,152,114)	2,822,886	2,924,715	(101,829)
interest	-	365,500	365,500	1,179,755	(814,255)
Total expenditures	4,975,000	(2,152,114)	3,188,386	4,104,470	(916,084)
Excess of revenues over expenditures (usage of fund balance)	(4,975,000)	2,176,364	(3,164,136)	(2,167,689)	996,447
OTHER FINANCES SOURCES (USES)					
Bond Proceeds	4,975,000	(4,895,000)	80,000	-	(80,000)
Transfers out	-	-	-	-	-
Total other financing sources	4,975,000	(4,895,000)	80,000	-	(80,000)
Net change in fund balance	-	(2,718,636)	(3,084,136)	(2,167,689)	916,447
FUND BALANCE, JULY 1, 2010	5,297,698	5,297,698	5,297,698	5,297,698	-
FUND BALANCE, JUNE 30, 2011	\$ 5,297,698	\$ 2,579,062	\$ 2,213,562	\$ 3,130,009	\$ 916,447

SUPPLEMENTARY INFORMATION

HERRIMAN CITY

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	<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>Mayor Crane Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS										
Cash, unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ 107
Accounts receivable	-	-	-	46,292	-	-	-	-	-	46,292
Cash, restricted	350,816	47,501	160,026	247,680	37,424	118,196	-	631	-	962,274
Total assets	\$ 350,816	\$ 47,501	\$ 160,026	\$ 293,972	\$ 37,424	\$ 118,196	\$ -	\$ 631	\$ 107	\$ 1,008,673
LIABILITIES										
Accounts payable	\$ 86,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,624
Accrued liabilities	-	-	-	-	151	-	-	-	-	151
Total liabilities	86,624	-	-	-	151	-	-	-	-	86,775
Fund balances										
Assigned	-	-	-	-	-	-	-	-	107	107
Restricted bond sinking fund	-	-	-	-	-	-	-	-	-	-
Restricted	264,192	47,501	160,026	293,972	37,273	118,196	-	631	-	921,791
Total fund balance	264,192	47,501	160,026	293,972	37,273	118,196	-	631	107	921,898
Total liabilities and fund balance	\$ 350,816	\$ 47,501	\$ 160,026	\$ 293,972	\$ 37,424	\$ 118,196	\$ -	\$ 631	\$ 107	\$ 1,008,673

HERRIMAN CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Fiscal Year Ended June 30, 2011

	Parks Special Revenue	Flood Control Special Revenue	Parkway Special Revenue	Roads Special Revenue	Street Signs Special Revenue	Street Lights Special Revenue	Fire Impact Special Revenue	Mayor Crane Special Revenue	Debt Service	Totals
REVENUES										
Impact fees	\$ 302,172	\$ 107,485	\$ -	\$ 397,250	\$ -	\$ -	\$ 6,197	\$ 629	\$ -	\$ 813,733
Interest	301	168	571	225	-	-	-	2	101	1,368
Charges for services	-	-	-	16,245	41,838	147,600	-	-	-	205,683
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>302,473</u>	<u>107,653</u>	<u>571</u>	<u>413,720</u>	<u>41,838</u>	<u>147,600</u>	<u>6,197</u>	<u>631</u>	<u>101</u>	<u>1,020,784</u>
EXPENDITURES										
Capital outlay	275,486	122,985	1,800	147,581	9,800	61,088	36,282	-	-	655,022
Public safety	-	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>275,486</u>	<u>122,985</u>	<u>1,800</u>	<u>147,581</u>	<u>9,800</u>	<u>61,088</u>	<u>36,282</u>	<u>-</u>	<u>-</u>	<u>655,022</u>
Revenues over (under) expenditures	<u>26,987</u>	<u>(15,332)</u>	<u>(1,229)</u>	<u>266,139</u>	<u>32,038</u>	<u>86,512</u>	<u>(30,085)</u>	<u>631</u>	<u>101</u>	<u>365,762</u>
OTHER FINANCING SOURCES (USES)										
Operating transfers in	100,000	-	-	-	-	-	-	-	-	100,000
Operating transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Revenues and other sources over expenditures and other uses	<u>126,987</u>	<u>(15,332)</u>	<u>(1,229)</u>	<u>266,139</u>	<u>32,038</u>	<u>86,512</u>	<u>(30,085)</u>	<u>631</u>	<u>101</u>	<u>465,762</u>
FUND BALANCE, JULY 1, 2010	<u>137,205</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>-</u>	<u>6</u>	<u>456,136</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 264,192</u>	<u>\$ 47,501</u>	<u>\$ 160,026</u>	<u>\$ 293,972</u>	<u>\$ 37,273</u>	<u>\$ 118,196</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ 107</u>	<u>\$ 921,898</u>

HERRIMAN CITY

Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ 381,000	\$ (86,053)	\$ 294,947	\$ 302,172	\$ 7,225
Interest	500	(199)	301	301	-
Charges for services	-	-	-	-	-
Total revenues	<u>381,500</u>	<u>(86,252)</u>	<u>295,248</u>	<u>302,473</u>	<u>7,225</u>
EXPENDITURES					
Capital outlay	381,500	(46,775)	334,725	275,486	59,239
Total expenditures	<u>381,500</u>	<u>(46,775)</u>	<u>334,725</u>	<u>275,486</u>	<u>59,239</u>
Excess revenues over expenditures	-	(39,477)	(39,477)	26,987	66,464
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	100,000	100,000	-
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	-	60,523	60,523	126,987	66,464
FUND BALANCE, JULY 1, 2010	<u>137,205</u>	<u>137,205</u>	<u>137,205</u>	<u>137,205</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 137,205</u>	<u>\$ 197,728</u>	<u>\$ 197,728</u>	<u>\$ 264,192</u>	<u>\$ 66,464</u>

HERRIMAN CITY

Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ 125,000	\$ (17,515)	\$ 107,485	\$ 107,485	\$ -
Interest	1,000	(830)	170	168	(2)
Total revenues	<u>126,000</u>	<u>(18,345)</u>	<u>107,655</u>	<u>107,653</u>	<u>(2)</u>
EXPENDITURES					
Capital outlay	<u>273,500</u>	<u>(131,198)</u>	<u>142,302</u>	<u>122,985</u>	<u>19,317</u>
Total expenditures	<u>273,500</u>	<u>(131,198)</u>	<u>142,302</u>	<u>122,985</u>	<u>19,317</u>
Excess revenues over expenditures	(147,500)	112,853	(34,647)	(15,332)	-
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other sources over (under) expenditures and other uses	(147,500)	112,853	(34,647)	(15,332)	-
FUND BALANCE, JULY 1, 2010	<u>62,833</u>	<u>62,833</u>	<u>62,833</u>	<u>62,833</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ (84,667)</u>	<u>\$ 175,686</u>	<u>\$ 28,186</u>	<u>\$ 47,501</u>	<u>\$ -</u>

HERRIMAN CITY

Budgetary Comparison Schedule Herriman Parkway Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Changes	Final		
REVENUES					
Interest	\$ -	\$ 500	\$ 500	\$ -	\$ (500)
Charges for services	-	-	-	571	571
Total revenues	-	500	500	571	71
EXPENDITURES					
Capital Outlay	-	1,800	1,800	1,800	-
Total expenditures	-	1,800	1,800	1,800	-
Excess of revenues over expenditures (usage of fund balance)	-	(1,300)	(1,300)	(1,229)	71
Net change in fund balance	-	(1,300)	(1,300)	(1,229)	71
FUND BALANCE, JULY 1, 2010	-	-	-	161,255	161,255
FUND BALANCE, JUNE 30, 2011	\$ -	\$ (1,300)	\$ (1,300)	\$ 160,026	\$ 161,326

HERRIMAN CITY

Budgetary Comparison Schedule Roads Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ 1,200	\$ 975	\$ 225	\$ 225	\$ -
Charges for services		16,245	16,245	16,245	-
Other					-
Impact fees	420,000	(41,650)	378,350	397,250	18,900
Total revenues	<u>421,200</u>	<u>(24,430)</u>	<u>394,820</u>	<u>413,720</u>	<u>18,900</u>
Expenditures					
Capital outlay	153,750	17,238	170,988	147,581	23,407
Debt service	392,000	(392,000)	-	-	-
Total expenditures	<u>545,750</u>	<u>17,238</u>	<u>170,988</u>	<u>147,581</u>	<u>23,407</u>
Excess of revenues over expenditures	<u>(124,550)</u>	<u>(41,668)</u>	<u>223,832</u>	<u>266,139</u>	<u>42,307</u>
Transfers out	-	-	-	-	-
Net change in fund balance	(124,550)	(41,668)	223,832	266,139	42,307
FUND BALANCE, JULY 1, 2010	<u>27,833</u>	<u>27,833</u>	<u>27,833</u>	<u>27,833</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ (96,717)</u>	<u>\$ (13,835)</u>	<u>\$ 251,665</u>	<u>\$ 293,972</u>	<u>\$ 42,307</u>

HERRIMAN CITY

Budgetary Comparison Schedule Street Signs Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 5,000	\$ 40,000	\$ 45,000	\$ 41,838	\$ (3,162)
Total revenues	5,000	40,000	45,000	41,838	(3,162)
EXPENDITURES					
Capital outlay	-	11,000	11,000	9,800	1,200
Total expenditures	-	11,000	11,000	9,800	1,200
Excess of revenues over expenditures (usage of fund balance)	5,000	29,000	34,000	32,038	(1,962)
OTHER FINANCES SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	5,000	29,000	34,000	32,038	(1,962)
FUND BALANCE, JULY 1, 2010	5,235	5,235	5,235	5,235	-
FUND BALANCE, JUNE 30, 2011	\$ 10,235	\$ 34,235	\$ 39,235	\$ 37,273	\$ (1,962)

HERRIMAN CITY

Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 88,000	\$ 59,600	\$ 147,600	\$ 147,600	\$ -
Interest	-	-	-	-	-
Total revenues	<u>88,000</u>	<u>59,600</u>	<u>147,600</u>	<u>147,600</u>	<u>-</u>
EXPENDITURES					
Capital outlay	<u>71,180</u>	<u>2,820</u>	<u>74,000</u>	<u>61,088</u>	<u>12,912</u>
Total expenditures	<u>71,180</u>	<u>2,820</u>	<u>74,000</u>	<u>61,088</u>	<u>12,912</u>
Excess of revenues over expenditures (usage of fund balance)	<u>16,820</u>	<u>56,780</u>	<u>73,600</u>	<u>86,512</u>	<u>12,912</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	16,820	56,780	73,600	86,512	12,912
FUND BALANCE, JULY 1, 2010	<u>31,684</u>	<u>31,684</u>	<u>31,684</u>	<u>31,684</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 48,504</u>	<u>\$ 88,464</u>	<u>\$ 105,284</u>	<u>\$ 118,196</u>	<u>\$ 12,912</u>

HERRIMAN CITY

Budgetary Comparison Schedule Fire Impact Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ 20,000	\$ (13,803)	\$ 6,197	\$ 6,197	\$ -
Charges for services	-	-	-	-	-
Total revenues	<u>20,000</u>	<u>(13,803)</u>	<u>6,197</u>	<u>6,197</u>	<u>-</u>
EXPENDITURES					
Capital outlay	-	36,282	36,282	36,282	-
Total expenditures	<u>-</u>	<u>36,282</u>	<u>36,282</u>	<u>36,282</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>20,000</u>	<u>(50,085)</u>	<u>(30,085)</u>	<u>(30,085)</u>	<u>-</u>
Net change in fund balance	20,000	(50,085)	(30,085)	(30,085)	-
FUND BALANCE, JULY 1, 2010	<u>30,085</u>	<u>30,085</u>	<u>30,085</u>	<u>30,085</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 50,085</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HERRIMAN CITY

Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ 101	\$ 101	\$ 101	\$ -
Total revenues	-	101	101	101	-
EXPENDITURES					
Debt service					
General Government	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess revenues over expenditures	-	101	101	101	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	-	101	101	101	-
FUND BALANCE, JULY 1, 2010	-	-	-	6	6
FUND BALANCE, JUNE 30, 2011	\$ -	\$ 101	\$ 101	\$ 107	\$ 6

HERRIMAN CITY

Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Grants	\$ -	\$ -	\$ -	\$ 86,250	\$ 86,250
Intergovernmental	-	1,360,793	1,360,793	-	(1,360,793)
Contributions	29,656	(11,171)	18,485	1,340,074	-
Interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>29,656</u>	<u>1,349,622</u>	<u>1,379,278</u>	<u>1,426,324</u>	<u>(1,274,543)</u>
EXPENDITURES					
Capital outlay	10,000	1,831,265	1,841,265	1,755,703	85,562
Parks	-	-	-	89,838	(89,838)
Bond costs	-	-	-	-	-
Total expenditures	<u>10,000</u>	<u>1,831,265</u>	<u>1,841,265</u>	<u>1,845,541</u>	<u>(4,276)</u>
Excess of revenues over expenditures (usage of fund balance)	<u>19,656</u>	<u>(481,643)</u>	<u>(461,987)</u>	<u>(419,217)</u>	<u>(1,278,819)</u>
OTHER FINANCES SOURCES (USES)					
Transfers out	-	-	-	-	-
Transfers in	-	18,485	18,485	-	(18,485)
Total other financing sources	<u>-</u>	<u>18,485</u>	<u>18,485</u>	<u>-</u>	<u>(18,485)</u>
Net change in fund balance	19,656	(463,158)	(443,502)	(419,217)	(1,297,304)
FUND BALANCE, JULY 1, 2010	<u>544,804</u>	<u>544,804</u>	<u>544,804</u>	<u>544,804</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 564,460</u>	<u>\$ 81,646</u>	<u>\$ 101,302</u>	<u>\$ 125,587</u>	<u>\$ (1,297,304)</u>

HERRIMAN CITY

Budgetary Comparison Schedule Mayor Crane Special Revenue Fund Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -	\$ 629	\$ 629
Interest	-	-	-	2	2
Total revenues	-	-	-	631	631
EXPENDITURES					
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	-	-	-	631	631
Net change in fund balance	-	-	-	631	631
FUND BALANCE, JULY 1, 2010	-	-	-	-	-
FUND BALANCE, JUNE 30, 2011	\$ -	\$ -	\$ -	\$ 631	\$ 631



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

The Honorable Mayor and City Council
 Herriman City, Utah

November 22, 2011

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, Utah, for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. 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, 2011.

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.

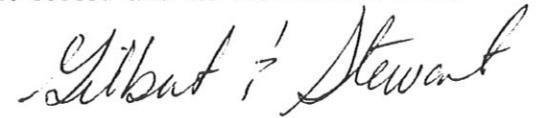
Our Audit does not provide a legal determination on the City's compliance with these requirements.

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, 2011.

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.

A handwritten signature in cursive script that reads "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants



**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

November 22, 2011

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2011. 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 November 22, 2011.

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,



GILBERT & STEWART
Certified Public Accountants