



**HERRIMAN CITY**

**Annual Financial Report  
Fiscal Year Ended June 30, 2012  
(With Auditor's Report Therein)**

# HERRIMAN CITY

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# GILBERT & STEWART

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A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
Herriman City, Utah

December 12, 2012

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, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 12, 2012, 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

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Herriman City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2012. 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 \$201,749,582 (net assets). Of this amount, \$22,082,098 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$225,595.

The City's governmental activities reported a combined ending fund balance of \$158,623,771. Of the combined total fund balance, \$18,451,644 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and unassigned fund balance of the general fund at June 30, 2012, totaled \$1,483,744 and is 17.6% of the general fund total revenues for the year. Total debt for Herriman City is approximately \$43,335,210.

### **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 Herriman Parkway special revenue 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**

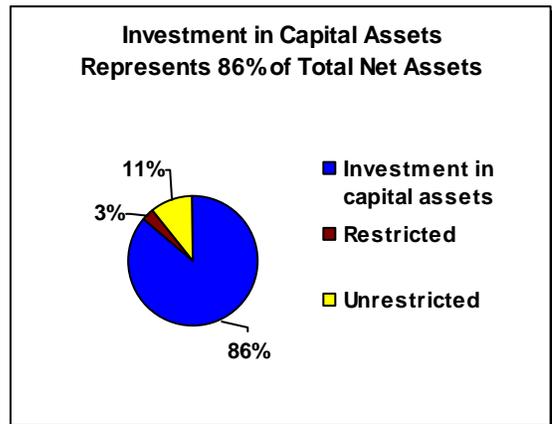
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Herriman City Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 22,071,850	\$ 6,078,261	\$ 5,635,508	\$ 7,118,925	\$ 27,707,358	\$ 13,197,186
Non-current assets	1,491,159	1,485,025	476,460	479,204	1,967,619	1,964,229
Capital assets	161,601,326	164,998,486	56,332,321	53,841,689	217,933,647	218,840,175
Other assets	456,544	17,144,639	432,596	454,946	889,140	17,599,585
Total assets	<u>185,620,879</u>	<u>189,706,411</u>	<u>62,876,885</u>	<u>61,894,764</u>	<u>248,497,764</u>	<u>251,601,175</u>
Current liabilities	2,153,514	4,181,367	1,775,096	1,871,859	3,928,610	6,053,226
Non-current liabilities	24,843,594	25,809,247	17,975,978	18,214,714	42,819,572	44,023,961
Total liabilities	<u>26,997,108</u>	<u>29,990,614</u>	<u>19,751,074</u>	<u>20,086,573</u>	<u>46,748,182</u>	<u>50,077,187</u>
Net assets						
Investment in capital assets, net of related debt	136,454,715	137,476,378	37,539,983	34,991,518	173,994,698	172,467,896
Restricted	3,717,412	2,764,823	1,955,374	1,618,248	5,672,786	4,383,071
Unrestricted	18,451,644	19,474,596	3,630,454	5,198,425	22,082,098	24,673,021
Total net assets	<u>158,623,771</u>	<u>159,715,797</u>	<u>43,125,811</u>	<u>41,808,191</u>	<u>201,749,582</u>	<u>201,523,988</u>
Total liabilities and net assets	<u>\$ 185,620,879</u>	<u>\$ 189,706,411</u>	<u>\$ 62,876,885</u>	<u>\$ 61,894,764</u>	<u>\$ 248,497,764</u>	<u>\$ 251,601,175</u>

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.



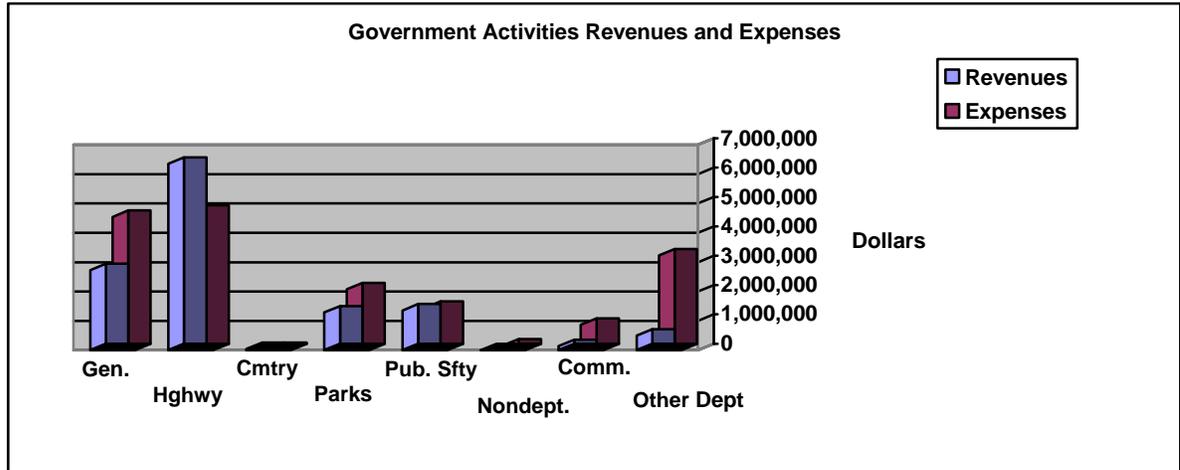
An additional part of net assets (3%) are assets that are subject to external restrictions on how they may be expended. The remaining 11% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

**Herriman City's Changes in Net Assets**

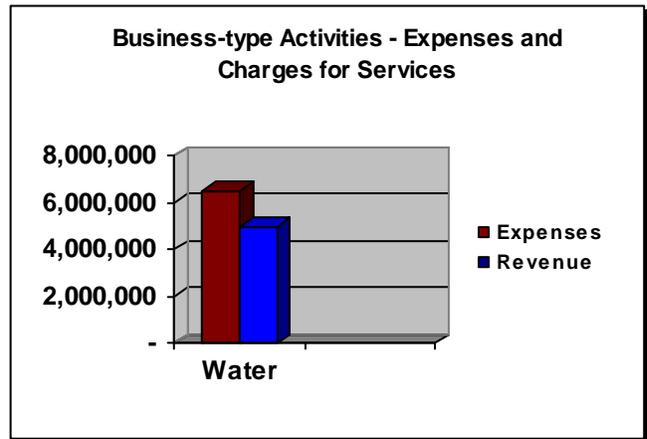
	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>				
Charges for services	\$ 6,673,303	\$ 7,396,125	\$ 4,978,695	\$ 4,469,327
Operating grants and contributions	925,011	1,502,698	-	-
Capital grants and contributions	4,809,693	5,118,934	2,819,266	2,623,404
General Revenues				
Property taxes, levied for general purposes	490,937	475,937	-	-
Franchise taxes	1,154,222	1,133,699	-	-
Sales taxes	2,219,538	1,901,649	-	-
Gain (loss) from sale of assets	5,155	-	-	-
Other revenues	43,959	74,130	-	83,643
Investment earnings	38,071	43,168	28,905	19,074
Total revenues	<u>16,359,889</u>	<u>17,646,340</u>	<u>7,826,866</u>	<u>7,195,448</u>
<b>EXPENSES</b>				
General government	4,580,884	4,843,784	-	-
Facilities	120,424	252,122	-	-
Information technology	504,183	466,420	-	-
Highway and streets	4,656,810	4,265,000	-	-
Storm drain	1,063,641	975,076	-	-
Cemetery	37,805	59,343	-	-
Parks	2,072,255	2,036,728	-	-
Public safety	1,469,300	2,407,954	-	-
Nondepartmental	162,238	225,639	-	-
Community development	862,776	2,350,794	-	-
Community affairs	508,912	417,296	-	-
Street lights	326,521	249,043	-	-
Street signs	67,719	57,094	-	-
Engineering	567,543	436,681	-	-
Interest on long-term debt	450,903	659,180	-	-
Water	-	-	6,509,245	5,471,980
Total expenses	<u>17,451,914</u>	<u>19,702,154</u>	<u>6,509,245</u>	<u>5,471,980</u>
<b>OTHER SOURCES</b>				
Transfers in	-	100,000	-	-
Transfers out	-	-	-	(100,000)
Total other sources	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
<b>CHANGES IN NET ASSETS</b>	(1,092,025)	(1,955,814)	1,317,621	1,623,468
Net assets, July 1	<u>159,715,796</u>	<u>161,671,610</u>	<u>41,808,190</u>	<u>40,184,722</u>
Net assets, June 30	<u>\$158,623,771</u>	<u>\$159,715,796</u>	<u>\$ 43,125,811</u>	<u>\$ 41,808,190</u>

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Governmental activities' net assets decreased by \$1,092,025 for the year ended June 30, 2012. 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.



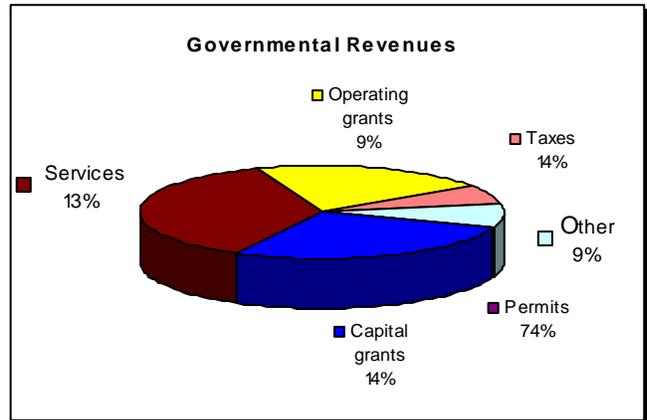
Business-type activities contributed an amount of \$1,317,620. The most significant reason for this increase in business-type activities is a capital contribution from developers.



**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, 2012.

For the period ended June 30, 2012, the City's governmental funds reported combined net assets in the amount of \$5,176,802 with an increase of \$107,627 compared with the prior fiscal year. Of the total balance at year-end, \$1,483,744 is unassigned. Of the remaining \$3,693,058 of combined net assets, \$2,661,278 is reserved for servicing the City's debt, with the remaining \$1,031,780 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2012, the general fund's unreserved fund balance was \$1,483,744. The total fund balance of the general fund for Herriman City increased by \$738,798. 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 \$51,993. The fund balance in the special revenue parkway fund decreased by \$100,321 and the fund for the special revenue town center decreased by \$762,052.

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 \$3,630,454. Discussions about the finances of this fund are addressed in the City's business-type activities.

### **BUDGETARY HIGHLIGHTS**

Differences between the original and final amended budgets for the general fund amounted to a total increase in expenses of \$499,410. Most of the increase was a result of increase from road projects and recreation. The budget in the public safety special revenue was decreased from the change in the police administration fund. The town center special revenue fund increased expenditures loan payments. The Herriman Parkway budget was increased for additional capital outlay. The road special revenue fund was increased from additional capital outlay. 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 \$217,933,647 (net of \$48,860,302 accumulated depreciation) at June 30, 2012. 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 \$783,983. The City's investment in net capital assets equals nearly 88% of total assets. Governmental activities net capital assets to governmental activities assets equaled 74% while the business-type activities percentage was 26%.

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

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Land	\$ 57,738,400	\$ 57,163,122	\$ 1,457,212	\$ 1,457,212
Easements	6,172,564	6,172,564	-	-
Infrastructure	927,113	927,113	-	-
Buildings	6,238,620	6,238,620	58,400	58,400
Water rights	-	-	7,799,133	7,137,933
Improvements, other than buildings	123,915,162	119,799,497	55,633,206	48,963,249
Vehicles	2,571,080	2,501,913	349,985	325,737
Office furniture and equipment	2,495,676	2,432,631	653,415	653,415
Construction in progress	554,270	348,708	229,713	3,192,916
Accumulated depreciation	(39,011,559)	(30,585,682)	(9,848,743)	(7,947,173)
Net book value	<u>\$ 161,601,326</u>	<u>\$ 164,998,486</u>	<u>\$ 56,332,321</u>	<u>\$ 53,841,689</u>

At June 30, 2012, Herriman City's total debt amounted to \$43,335,210. Of this amount \$25,146,610 was governmental activities and \$18,188,600 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's installment obligation was paid in full during 2012.

Additional information on Herriman City's capital assets and debt can be found in Note 3 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	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ 7,650,000	\$ 7,850,000	\$ 17,979,000	\$ 18,618,000	\$ 25,629,000	\$ 26,468,000
Special assessment bonds	17,625,000	18,295,000	-	-	17,625,000	18,295,000
Bond discount or premium	(219,870)	(231,967)	182,291	187,975	(37,579)	(43,992)
Installment obligation	-	1,328,347	-	-	-	1,328,347
Capital leases	91,481	283,606	27,309	43,981	118,790	327,587
Total	<u>\$ 25,146,611</u>	<u>\$ 27,524,986</u>	<u>\$ 18,188,600</u>	<u>\$ 18,849,956</u>	<u>\$ 43,335,211</u>	<u>\$ 46,374,942</u>

The city also has an outstanding purchase agreement for water rights. The balance of the agreement at year end was \$603,738

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

As of July 2012, the state unemployment rate was 5.2%, up from 1.5% 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 2012 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 84096.

# HERRIMAN CITY

## Statement of Net Assets June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents			
Restricted	\$ 2,390,679	\$ 4,122,444	\$ 6,513,123
Unrestricted	1,200,738	829,727	2,030,465
Receivables			
Property, and franchise and excise taxes	1,073,623	-	1,073,623
Special assessments receivable	17,132,570	-	17,132,570
Accounts, less allowance for doubtful accounts of \$0	258,819	600,335	859,154
Prepaid expenses	15,421	-	15,421
Inventory	-	83,002	83,002
Total current assets	<u>22,071,850</u>	<u>5,635,508</u>	<u>27,707,358</u>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	<u>1,491,159</u>	<u>476,460</u>	<u>1,967,619</u>
Property and equipment, net			
Land and water rights	57,738,400	9,256,346	66,994,746
Easements	6,172,564	-	6,172,564
Infrastructure	639,823	-	639,823
Buildings	4,728,269	47,937	4,776,206
Improvements, other than buildings	90,813,457	46,523,496	137,336,953
Vehicles	215,896	51,897	267,793
Office furniture and equipment	738,647	222,932	961,579
Construction in progress	554,270	229,713	783,983
Net property and equipment	<u>161,601,326</u>	<u>56,332,321</u>	<u>217,933,647</u>
Other non-current assets	-	-	-
Long term special assessments			
Bond issue costs, less accumulated amortization of \$102,271	456,544	432,596	889,140
Total other noncurrent assets	<u>456,544</u>	<u>432,596</u>	<u>889,140</u>
Total noncurrent assets	<u>163,549,029</u>	<u>57,241,377</u>	<u>220,790,406</u>
Total assets	<u>\$185,620,879</u>	<u>\$ 62,876,885</u>	<u>\$248,497,764</u>

# HERRIMAN CITY

## Statement of Net Assets, Continued June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 606,060	\$ 574,240	\$ 1,180,300
Current portion of long-term debt payable from restricted assets	902,096	642,702	1,544,798
Current portion of capital leases	46,734	19,514	66,248
Current portion purchase agreement		201,246	201,246
Accrued liabilities	147,786	12,172	159,958
Deferred revenue	414,194	-	414,194
Accrued interest, payable from restricted assets	296,038	325,222	621,260
Total current liabilities	<u>2,412,908</u>	<u>1,775,096</u>	<u>4,188,004</u>
<b>NONCURRENT LIABILITIES</b>			
Long-term compensation liability	300,820	47,102	347,922
Bonds payable from restricted sources	24,153,034	17,518,589	41,671,623
Purchase agreement		402,492	402,492
Capital leases	44,747	7,795	52,542
Construction bonds	85,599	-	85,599
Total noncurrent liabilities	<u>24,584,200</u>	<u>17,975,978</u>	<u>42,560,178</u>
Total liabilities	<u>26,997,108</u>	<u>19,751,074</u>	<u>46,748,182</u>
<b><u>NET ASSETS</u></b>			
Investment in capital assets, net of related debt	136,454,715	37,539,983	173,994,698
Restricted for:			
Capital projects	-	1,356,912	1,356,912
Debt service	2,661,278	598,462	3,259,740
Other restricted	1,056,134	-	1,056,134
Unrestricted	18,451,644	3,630,454	22,082,098
Total net assets	<u>158,623,771</u>	<u>43,125,811</u>	<u>201,749,582</u>
Total liabilities and net assets	<u>\$ 185,620,879</u>	<u>\$ 62,876,885</u>	<u>\$ 248,497,764</u>

# HERRIMAN CITY

## Statement of Activities Fiscal Year Ended June 30, 2012

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Government Activities	Business- Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Government activities							
General government	\$ 4,580,884	\$ 2,751,876	\$ 31,532	\$ -	\$ (1,797,476)	\$ -	\$ (1,797,476)
Facilities	120,424	-	-	-	(120,424)	-	(120,424)
Information technology	504,183	-	-	-	(504,183)	-	(504,183)
Highway and streets	4,656,810	1,076,570	740,285	4,427,831	1,587,876	-	1,587,876
Storm drain	1,063,641	181,859	-	381,862	(499,920)	-	(499,920)
Cemetery	37,805	39,579	-	-	1,774	-	1,774
Public safety	1,469,300	1,338,607	15,935	-	(114,758)	-	(114,758)
Parks	2,072,255	1,284,812	-	-	(787,443)	-	(787,443)
Non-departmental	162,238	-	-	-	(162,238)	-	(162,238)
Community development	862,776	-	137,259	-	(725,517)	-	(725,517)
Community affairs	508,912	-	-	-	(508,912)	-	(508,912)
Street lights	326,521	-	-	-	(326,521)	-	(326,521)
Street signs	67,719	-	-	-	(67,719)	-	(67,719)
Engineering	567,543	-	-	-	(567,543)	-	(567,543)
Interest on long-term debt	450,903	-	-	-	(450,903)	-	(450,903)
Total government activities	<u>17,451,914</u>	<u>6,673,303</u>	<u>925,011</u>	<u>4,809,693</u>	<u>(5,043,907)</u>	<u>-</u>	<u>(5,043,907)</u>
Business-type activities							
Water	6,509,246	4,978,695	-	2,819,266	-	1,288,715	1,288,715
Total business-type activities	<u>6,509,246</u>	<u>4,978,695</u>	<u>-</u>	<u>2,819,266</u>	<u>-</u>	<u>1,288,715</u>	<u>1,288,715</u>
Total primary government	<u>\$ 23,961,160</u>	<u>\$ 11,651,998</u>	<u>\$ 925,011</u>	<u>\$ 7,628,959</u>	<u>(5,043,907)</u>	<u>1,288,715</u>	<u>(3,755,192)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					490,937	-	490,937
Franchise taxes					1,154,222	-	1,154,222
Sales taxes					2,219,538	-	2,219,538
Gain or loss on sale of assets					5,155	-	5,155
Other revenues					43,959	-	43,959
Investment earnings					38,071	28,905	66,976
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>3,951,882</u>	<u>28,905</u>	<u>3,980,787</u>
Changes in net assets					(1,092,025)	1,317,620	225,595
Net assets, July 1, 2011					159,715,796	41,808,191	201,523,987
Net assets, June 30, 2012					<u>\$ 158,623,771</u>	<u>\$ 43,125,811</u>	<u>\$ 201,749,582</u>

# HERRIMAN CITY

## Balance Sheet Governmental Funds June 30, 2012

	General	Special Revenue Parkway	Special Revenue Public Safety	Special Revenue Towne Center	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
ASSETS						
Cash and cash equivalents	\$ 1,075,920	\$ -	\$ -	\$ -	\$ 125,456	\$ 1,201,376
Receivables						
Property, franchise, and excise tax	1,073,623	-	-	-	-	1,073,623
Other receivables, less allowance for doubtful loans of \$0	203,816	-	8,710	-	46,293	258,819
Special assessments	-	-	-	16,998,740	-	16,998,740
Due from other funds	-	-	-	-	-	-
Prepaid expenses	15,421	-	-	-	-	15,421
Restricted cash and cash equivalents	2,997	59,705	186,112	2,463,008	1,169,379	3,881,201
Total assets	<u>\$ 2,371,777</u>	<u>\$ 59,705</u>	<u>\$ 194,822</u>	<u>\$ 19,461,748</u>	<u>\$ 1,341,128</u>	<u>\$ 23,429,180</u>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES						
Accounts payable	\$ 237,595	\$ -	\$ 103,076	\$ 95,052	\$ 170,337	\$ 606,060
Accrued liabilities	147,648	-	-	-	137	147,785
Construction bonds	85,599	-	-	-	-	85,599
Deferred revenue	414,194	-	-	16,998,740	-	17,412,934
Total liabilities	<u>885,036</u>	<u>-</u>	<u>103,076</u>	<u>17,093,792</u>	<u>170,474</u>	<u>18,252,378</u>
FUND BALANCES						
Restricted for:		-	-	-	-	-
Bond Funds	-	-	-	2,367,956	293,322	2,661,278
Other purposes	2,997	59,705	91,746	-	901,686	1,056,134
Assigned for capital improvements	-	-	-	-	(24,354)	(24,354)
Unassigned	1,483,744	-	-	-	-	1,483,744
Total fund balances	<u>1,486,741</u>	<u>59,705</u>	<u>91,746</u>	<u>2,367,956</u>	<u>1,170,654</u>	<u>5,176,802</u>
Total liabilities and fund balances	<u>\$ 2,371,777</u>	<u>\$ 59,705</u>	<u>\$ 194,822</u>	<u>\$ 19,461,748</u>	<u>\$ 1,341,128</u>	<u>\$ 23,429,180</u>

# HERRIMAN CITY

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2012

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Total Fund Balance		\$ 5,176,802
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	\$ 57,738,400	
Infrastructure	927,113	
Easements	6,172,564	
Buildings	6,238,620	
Improvements, other than buildings	123,915,165	
Office equipment	2,495,677	
Construction in progress	554,270	
Vehicles	2,571,080	
Less accumulated depreciation	<u>(39,011,563)</u>	
Total capital assets		161,601,326
Bond costs are expensed in the governmental funds and capitalized and amortized in the government wide statements.		
		456,544
Special assessment revenue is recognized when the levy is made and when measurable and available in the government funds.		
		16,998,737
Accrued interest on special assessments is not recorded on the funds statement.		
		133,831
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	(300,820)	
Accrued interest	(296,038)	
Bonds payable	(25,055,130)	
Capital leases	<u>(91,481)</u>	
Total liabilities		<u>(25,743,469)</u>
Total net assets of governmental activities		<u>\$ 158,623,771</u>

# HERRIMAN CITY

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Fiscal Year Ended June 30, 2012

	General	Special Revenue Parkway	Public Safety	Special Revenue Town Center	Other Governmental Funds	Totals
<b>REVENUES</b>						
General property taxes	\$ 490,937	\$ -	\$ -	\$ -	\$ -	\$ 490,937
Sales, use, and excise taxes	2,462,852	-	-	-	-	2,462,852
Franchise taxes	910,908	-	-	-	-	910,908
Licenses	45,677	-	-	-	-	45,677
Permits	2,576,560	-	-	-	-	2,576,560
Interest	17,724	279	-	-	1,556	19,559
Intergovernmental	754,221	-	-	-	-	754,221
Fines	147,662	-	-	-	-	147,662
Impact fees	-	-	-	397,564	1,513,113	1,910,677
Charges for services	633,104	-	1,177,497	603,593	400,100	2,814,294
Contributions	-	-	-	133,343	-	133,343
Grants	38,254	-	-	-	-	38,254
Sale of assets	140,116	-	-	-	556,052	696,168
Miscellaneous	191,493	1,564,000	-	18,513	-	1,774,006
Total revenues	<u>8,409,508</u>	<u>1,564,279</u>	<u>1,177,497</u>	<u>1,153,013</u>	<u>2,470,821</u>	<u>14,775,118</u>
<b>EXPENDITURES</b>						
Current						
Administration	1,226,223	-	-	-	-	1,226,223
Facilities	221,557	-	-	-	-	221,557
Information technology	486,381	-	-	-	-	486,381
Highway and streets	737,065	-	-	-	-	737,065
Street lights	321,157	-	-	-	-	321,157
Storm drain maintenance	242,263	-	-	-	-	242,263
Street signs	67,719	-	-	-	-	67,719
Cemetery	24,400	-	-	-	-	24,400
Public safety	220,783	-	1,229,490	-	-	1,450,273
Parks and recreations	1,298,551	-	-	-	-	1,298,551
Community affairs	577,182	-	-	-	-	577,182
Engineering	568,145	-	-	-	-	568,145
Fleet management	143,248	-	-	-	-	143,248
Human resources	197,098	-	-	-	-	197,098
Community development	736,655	-	-	-	-	736,655
Capital outlay	-	1,664,600	-	456,171	2,237,253	4,358,024
Principal	-	-	-	670,000	200,000	870,000
Interest and other fiscal charges	-	-	-	788,894	380,196	1,169,090
Total expenditures	<u>7,068,427</u>	<u>1,664,600</u>	<u>1,229,490</u>	<u>1,915,065</u>	<u>2,817,449</u>	<u>14,695,031</u>
Revenues over (under) expenditures	<u>1,341,081</u>	<u>(100,321)</u>	<u>(51,993)</u>	<u>(762,052)</u>	<u>(346,628)</u>	<u>80,087</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Lease proceeds	27,540	-	-	-	-	27,540
Operating transfers in	-	-	-	-	629,823	629,823
Operating transfers out	(629,823)	-	-	-	-	(629,823)
Total other financing sources (uses)	<u>(602,283)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,823</u>	<u>27,540</u>
Revenue and other sources over (under) expenditures and other uses	738,798	(100,321)	(51,993)	(762,052)	283,195	107,627
FUND BALANCE, JULY 1, 2011	<u>747,943</u>	<u>160,026</u>	<u>143,739</u>	<u>3,130,008</u>	<u>887,459</u>	<u>5,069,175</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 1,486,741</u>	<u>\$ 59,705</u>	<u>\$ 91,746</u>	<u>\$ 2,367,956</u>	<u>\$ 1,170,654</u>	<u>\$ 5,176,802</u>

# 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, 2012

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NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	107,627
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 (\$2,522,182) is less than depreciation expense (\$8,425,878).			
			(5,903,696)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			1,050,028
Installment obligations are recorded as expenditure in the fund statements and recorded as a reduction in principal in the government wide statements.			1,328,345
Sale of assets is recorded as income in the fund statements and as a gain or loss on government wide statements.			(845,722)
Bond discount amortization is not recorded in the government funds but is amortized in the government wide statements.			(23,741)
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	\$	(31,990)	
Accrued interest		7,285	
			(24,705)
Contributions from the developer from assets contributed to the City are financial resources and are not reported as revenues in the funds.			3,352,258
Special assessments are recognized when levied and are recorded in the fund statement when measurable and available.			(132,419)
Change in net assets of governmental activities		\$	<u>(1,092,025)</u>

# HERRIMAN CITY

## Statement of Net Assets Proprietary Funds June 30, 2012

	<b>Business-type Activities Water</b>
<b><u>ASSETS</u></b>	
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ 4,122,444
Unrestricted	829,727
Receivables	
Accounts, less allowance for doubtful accounts of \$0	600,335
Inventory	83,002
Total current assets	<u>5,635,508</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>476,460</u>
Property and equipment, at cost	
Land and water rights	9,256,346
Work in process	229,713
Buildings	58,400
Vehicles	349,982
Improvements, other than buildings	55,633,205
Office furniture and equipment	653,416
Accumulated depreciation	<u>(9,848,741)</u>
Net property and equipment	<u>56,332,321</u>
Bond issue costs, less accumulated amortization of \$43,828	<u>432,596</u>
Total noncurrent assets	<u>432,596</u>
Total assets	<u>\$ 62,876,885</u>
<b><u>LIABILITIES</u></b>	
CURRENT LIABILITIES	
Accounts payable	\$ 574,240
Current portion of long-term debt payable from restricted assets	642,702
Current portion of capital leases	19,514
Current portion purchase agreement	201,246
Accrued liabilities	12,172
Accrued interest	325,222
Total current liabilities	<u>1,775,096</u>
NONCURRENT LIABILITIES	
Long-term compensation liability	47,102
Capital leases	7,795
Purchase agreement	402,492
Bonds payable from restricted assets	17,518,589
Total noncurrent liabilities	<u>17,975,978</u>
Total liabilities	<u>19,751,074</u>
<b><u>NET ASSETS</u></b>	
Investment in capital assets, net of related debt	37,539,983
Restricted for:	
Capital projects	1,356,912
Debt service	598,462
Unrestricted	3,630,454
Total net assets	<u>43,125,811</u>
Total liabilities and net assets	<u>\$ 62,876,885</u>

# HERRIMAN CITY

## Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds Fiscal Year Ended June 30, 2012

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	<b>Business-type Activities Water</b>
	<u>                    </u>
OPERATING REVENUE	
Sales and charges for services	\$ 4,978,695
Total operating revenue	<u>4,978,695</u>
OPERATING EXPENSES	
Personal services	745,832
Supplies	2,901,669
Water purchases	-
Utilities	270,411
Depreciation and amortization	1,901,570
Total expenses	<u>5,819,482</u>
Operating income	<u>(840,787)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	28,905
Impact fees	1,310,563
Interest expense	(689,764)
Total nonoperating revenues (expenses)	<u>649,704</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	1,508,703
Total capital contributions	<u>1,508,703</u>
Transfers	
Transfers in	<u>-</u>
Increase in net assets	1,317,620
NET ASSETS, JULY 1, 2011	<u>41,808,191</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 43,125,811</u>

# HERRIMAN CITY

## Statement of Cash Flows

### Proprietary Funds

Fiscal Year Ended June 30, 2012

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CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,626,190
Payments to suppliers	(3,414,345)
Payments to employees	(742,763)
Net cash provided by operating activities	<u>469,082</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	1,310,563
Purchase of capital assets	(2,279,761)
Principal paid on capital leases	(16,673)
Bond payments	(644,483)
Bond costs amortization	22,350
Interest paid on bonds and leases	(663,413)
Net cash from capital and related financing activities	<u>(2,271,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>28,905</u>
Net cash provided from investing activities	<u>28,905</u>
Net increase in cash and cash equivalents	(1,773,430)
CASH AND CASH EQUIVALENTS, JULY 1, 2011	<u>7,202,061</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2012	<u><u>\$ 5,428,631</u></u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (840,787)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,901,570
Increase (decrease) due to changes in:	
Accounts receivable	(352,505)
Inventory	65,236
Accounts payable	(296,685)
Accrued liabilities affecting operating activities	(7,747)
Other liabilities	-
Net cash provided by operating activities	<u><u>\$ 469,082</u></u>

The proprietary fund had assets contributed to the City of \$ 1,508,703.  
The City paid for water rights with a loan of \$631,200.

# HERRIMAN CITY

## Notes to the Financial Statements Fiscal Year Ended June 30, 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **History and Organization**

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

#### **Financial Reporting Entity**

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

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

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

#### **Basis of Presentation – Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

The City has 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 Herriman Parkway fund, and (3) the Public Safety special revenue fund and, (4) the Towne 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 capital improvement fund, (4) the street signs fund, (5) the special revenue street lights, (6) the special revenue roads, (7) the Mayor Crane special revenue, 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 \$5,000 for all 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, 2012. 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, 2012, 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 Division Tier 2, and a noncontributory division Tier 1 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, Utah, 84102, or by calling 1-800-365-8772.

**Funding Policy**

In the Local Governmental Noncontributory Retirement System, Herriman City is required to contribute 13.770% of the annual covered salary to the Tier 2 system. The Local governmental contributory system employer contribution is 10.330% to the Tier 1 system. 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, 2012, 2011, and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Noncontributory Tier 1 employer contributions			
Salary	\$ 3,070,644	\$ 2,675,415	\$ 2,755,229
Employer contributions	415,178	386,939	321,260
Contributory Tier 2 employer contributions			
Salary	71,440	-	-
Employer contribution	5,422	-	-
401(k) Plan			
Employee contributions	108,630	94,686	102,438
Employer contributions	78,438	66,303	69,687
457 Plan			
Employee contributions	15,265	13,979	15,346
Employer contributions	10,507	9,031	8,554
IRA Employee paid	300	300	-

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, 2012:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<b>PRIMARY GOVERNMENT</b>				
GOVERNMENTAL ACTIVITIES				
Land	\$ 57,163,122	\$ 1,421,000	\$ 845,722	\$ 57,738,400
Easements	6,172,564	-	-	6,172,564
Work in process	348,708	205,562	-	554,270
Total nondepreciated assets	<u>63,684,394</u>	<u>1,626,562</u>	<u>845,722</u>	<u>64,465,234</u>
Depreciated assets				
Buildings	6,238,620	-	-	6,238,620
Improvements	119,799,497	4,115,665	-	123,915,162
Equipment	2,432,631	63,045	-	2,495,676
Other Infrastructure	927,113	-	-	927,113
Vehicles	2,501,913	69,167	-	2,571,080
Total depreciated assets	<u>131,899,774</u>	<u>4,247,877</u>	<u>-</u>	<u>136,147,651</u>
Less accumulated depreciation				
Buildings	(1,310,854)	(199,497)	-	(1,510,351)
Improvements	(25,279,808)	(7,821,897)	-	(33,101,705)
Equipment	(1,552,226)	(204,803)	-	(1,757,029)
Other infrastructure	(238,743)	(48,547)	-	(287,290)
Vehicles	(2,204,051)	(151,133)	-	(2,355,184)
Total accumulated depreciation	<u>(30,585,682)</u>	<u>(8,425,877)</u>	<u>-</u>	<u>(39,011,559)</u>
Net assets depreciated	<u>101,314,092</u>	<u>(4,178,000)</u>	<u>-</u>	<u>97,136,092</u>
Total governmental activities	<u>164,998,486</u>	<u>(2,551,438)</u>	<u>845,722</u>	<u>161,601,326</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,457,212	-	-	1,457,212
Water rights	7,137,933	661,200	-	7,799,133
Work in process	3,192,916	-	(2,963,203)	229,713
Total nondepreciated assets	<u>11,788,061</u>	<u>661,200</u>	<u>(2,963,203)</u>	<u>9,486,058</u>
Depreciated assets				
Vehicles	325,737	24,248	-	349,985
Buildings	58,400	-	-	58,400
Improvements	48,963,249	6,669,957	-	55,633,206
Equipment	653,415	-	-	653,415
Total depreciated assets	<u>50,000,801</u>	<u>6,694,205</u>	<u>-</u>	<u>56,695,006</u>
Less accumulated depreciation				
Vehicles	(275,956)	(22,133)	-	(298,089)
Buildings	(9,003)	(1,460)	-	(10,463)
Improvements	(7,294,726)	(1,814,981)	-	(9,109,707)
Equipment	(367,488)	(62,996)	-	(430,484)
Total accumulated depreciation	<u>(7,947,173)</u>	<u>(1,901,570)</u>	<u>-</u>	<u>(9,848,743)</u>
Net assets depreciated	<u>42,053,628</u>	<u>4,792,635</u>	<u>-</u>	<u>46,846,263</u>
Total business-type assets	<u>53,841,689</u>	<u>5,453,835</u>	<u>(2,963,203)</u>	<u>56,332,321</u>
Total combined assets	<u>\$ 218,840,175</u>	<u>\$ 2,902,397</u>	<u>\$ (2,117,481)</u>	<u>\$ 217,933,647</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<b><u>DEPRECIATION EXPENSE</u></b>			
FUNCTION			
General government	\$ 3,084,791	\$ -	\$ 3,084,791
Highway and streets	3,758,251	-	3,758,251
Cemetery	15,505	-	15,505
Engineering	3,813	-	3,813
Parks	804,904	-	804,904
Public safety	29,912	-	29,912
Flood control	728,701	-	728,701
Water	-	1,901,570	1,901,570
Totals	<u>\$ 8,425,877</u>	<u>\$ 1,901,570</u>	<u>\$ 10,327,447</u>

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

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ 629,823
Capital improvements	629,823	-
Total funds	<u>\$ 629,823</u>	<u>\$ 629,823</u>

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

#### 5. **RELATED PARTY TRANSACTIONS**

A councilman serves on the board of the South Valley Sewer District. The mayor is on the Salt Lake Valley law enforcement service board. There are no amounts due to or from this entity at year end.

## 6. LONG TERM DEBT

Bonds payable at June 30, 2012, are comprised of the following individual issues:

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012</u>	<u>Date Within One Year</u>
<b><u>BONDS PAYABLE</u></b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
Sales and Franchise tax revenue bonds series 2008. Original issue \$7,850,000 with interest from 2.8% to 5.7%. The bonds are secured by sales and franchise taxes and mature in 2033.	\$ 7,850,000	\$ -	\$ 200,000	\$ 7,650,000	\$ 200,000
SAA Bond	18,295,000	-	670,000	17,625,000	690,000
Bond discount	(231,967)	-	12,096	(219,870)	12,096
Total governmental long-term debt	<u>25,913,033</u>	<u>-</u>	<u>882,096</u>	<u>25,055,130</u>	<u>902,096</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Series 2003 water revenue bonds original issue was \$3,600,000 with interest at 1.9%. The bonds are secured by water revenues and mature in 2024.	2,487,000	-	(171,000)	2,316,000	174,000
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.	146,000	-	(73,000)	73,000	73,000
Series 2011 water revenue bonds original issue was \$6,585,000 with interest at 1.9%. The bonds are secured by water revenue and mature in 2024.	6,585,000	-	(255,000)	6,330,000	245,000
Herriman City water revenue & refunding bonds series 2007. The bonds bear interest at 4% and mature in 2033.	9,400,000	-	(140,000)	9,260,000	145,000
Premium	187,774	-	(5,483)	182,291	5,702
Total business-type long-term debt	<u>18,805,774</u>	<u>-</u>	<u>(644,483)</u>	<u>18,161,291</u>	<u>642,702</u>
Total bonds payable	<u>\$ 44,718,807</u>	<u>\$ -</u>	<u>\$ 237,613</u>	<u>\$ 43,216,421</u>	<u>\$ 1,544,798</u>
<b>GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES</b>					
Compensated absences	\$ 268,194	\$ 32,626	\$ -	\$ 300,820	\$ -
Capital leases	283,606	42,143	(234,268)	91,481	46,734
Land installment obligations	1,328,347	-	(1,328,347)	-	-
<b>BUSINESS, OTHER LIABILITIES</b>					
Compensated absences	36,285	10,817	-	47,102	-
Capital leases	43,982	24,248	(40,921)	27,309	19,513
Purchase agreement	-	631,200	(27,462)	603,738	201,246

The annual debt requirement to maturity, including principal and interest as of June 30, 2012, for the business fund is listed in the following table:

<b>Year Ending 30-Jun</b>	<b>Series 2003A Revenue Bonds</b>			<b>Series 2005 Taxable Bonds</b>		
	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Rate</b>	<b>Principal</b>	<b>Interest</b>
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	1.86%	187,000	29,760	0.00%	-	-
2018-2021	1.86%	990,000	95,251		-	-
2022-2026	1.86%	423,000	11,830		-	-
<b>Totals</b>		<b>\$ 2,316,000</b>	<b>\$ 289,491</b>		<b>\$ 73,000</b>	<b>\$ 2,190</b>

The annual debt requirement to maturity, including principal and interest as of June 30, 2012, for the governmental funds is listed in the following tables:

<b>Year Ending 30-Jun</b>	<b>Series 2007 Water Revenue</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 145,000	\$ 405,675
2014	225,000	398,275
2015	230,000	389,175
2016	240,000	379,775
2017	250,000	374,974
2018-2021	810,000	1,376,961
2022-2026	920,000	1,511,100
2027-2031	4,130,000	886,053
2032-2037	2,310,000	207,900
<b>Totals</b>	<b>\$ 9,260,000</b>	<b>\$ 5,929,888</b>

<b>Series 2008</b>		
<b>Sales and Franchise tax bond</b>		
<b>Year Ending 30-Jun</b>	<b>Principal</b>	<b>Interest</b>
2113	\$ 200,000	\$ 375,071
2014	200,000	368,196
2015	225,000	360,452
2016	225,000	356,458
2017	240,000	342,358
2018-2022	1,390,000	1,536,503
2023-2027	1,765,000	1,167,584
2028-2032	2,295,000	644,010
2033-2037	1,110,000	63,922
Totals	<u>\$7,650,000</u>	<u>\$5,214,554</u>

<b>Series 2010</b>		
<b>SSA Bond</b>		
<b>Year Ending 30-Jun</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 690,000	\$ 792,635
2014	710,000	711,635
2015	730,000	749,670
2016	755,000	714,210
2017	780,000	673,155
2018-2022	4,395,000	2,931,236
2023-2027	6,790,000	1,778,916
2028-2032	2,775,000	346,875
Totals	<u>\$ 17,625,000</u>	<u>\$ 8,698,332</u>

<b>Series 2011</b>		
<b>Water Revenue Bonds</b>		
<b>Year Ending 30-Jun</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 245,000	\$ 116,757
2014	250,000	113,007
2015	255,000	107,907
2016	270,000	103,857
2017	275,000	99,732
2018-2022	1,510,000	430,411
2026-2027	3,525,000	156,203
2028-2032	-	-
Totals	<u>\$ 6,330,000</u>	<u>\$ 1,127,874</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, 2012, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 10,511,208

Cash investments and cash equivalents as of June 30, 2012, consist of the following:

Deposits with financial institutions	\$ 2,123,602
Petty cash	3,446
Investments, state treasurer	<u>8,384,160</u>
Total cash and cash equivalents	<u>\$ 10,511,208</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, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1, Less Than 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer investment fund	\$ 8,384,160	\$ 8,384,160	\$ -	\$ -
Total investments	\$ 8,384,160	\$ 8,384,160	\$ -	\$ -

#### **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, 2012, 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, 2012, \$1,833,296 of the \$2,083,296 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. RESTRICTED FUND BALANCES

The City records restricted fund balances 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	\$ 50,761	\$ -	\$ 50,761
Special revenue, street signs	19,328	-	19,328
Special revenue, park impact fees	406,657	-	406,657
Special revenue, flood control	56,129	-	56,129
Special revenue, road impact fees	367,934	-	367,934
Mayor Crane special revenue fund	635	-	635
Special revenue, public safety	91,746	-	91,746
Debt service bond funds	242	-	242
Capital improvements fund	293,322	-	293,322
Town center debt service	1,732,587	-	1,732,587
Town center projects	635,369	-	635,369
General fund bid bonds	2,997	-	2,997
Herriman Parkway	59,705	-	59,705
Bond reserve funds	-	598,462	598,462
Water impact fees	-	1,356,912	1,356,912
Totals	<u>\$ 3,717,412</u>	<u>\$ 1,955,374</u>	<u>\$ 5,672,786</u>

## 9. INTEREST EXPENSE

The proprietary fund incurred \$689,764 in interest expense of which \$689,764 was charged to expense and \$0 was capitalized.

## 10. RESTRICTED CASH

The City has restricted cash of \$1,855,292 for impact fees, \$637 for other projects and \$2,025,909 for debt service in the governmental funds. The City has \$1,356,912 for impact fees and 3,241,992 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, 2012, 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 Valley Law Enforcement Service Area
- 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 capital assets as contributions of \$1,508,703 and a loan of \$631,200.

**16. OBLIGATION UNDER CAPITAL LEASE**

The City acquired certain enterprise capital 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, 2012, was \$210,853. 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, 2012. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2013	\$ 20,339
June 30, 2014	8,017
June 30, 2015	-
June 30, 2016	-
Thereafter	-
Totals	<u>28,356</u>
Less amounts representing interest	<u>(1,047)</u>
Present value	27,309
Less current portion	<u>(19,514)</u>
Long term	<u>\$ 7,795</u>

The depreciation expense from these assets was \$4,446 in 2012. 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, 2012, was \$217,143. The City has an option of paying off the leases before the leases expire. The depreciation on these assets was \$40,226.

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, 2012.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2013	\$ 50,400
June 30, 2014	50,679
June 30, 2015	-
June 30, 2016	-
Thereafter	-
Totals	<u>101,079</u>
Less amounts representing interest	<u>(9,598)</u>
Present value	91,481
Less current portion	<u>(46,734)</u>
Long term	<u>\$ 44,747</u>

**17. NEW ISSUED ACCOUNTING STANDARDS**

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

***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 Towne Center special revenue, Herriman Parkway special revenue, roads special revenue, and the capital improvements funds.

**19. SPECIAL ASSESSMENT AREAS**

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, than assigned and committed fund balances are used in that order.

The General Fund has unassigned fund balance in the amount of \$1,483,744 at June 30, 2012.

**21. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 16, 2012, the date which the financial statements were available to be issued.

**22. PURCHASE AGREEMENT**

The City entered into an agreement with a nonprofit corporation to purchase water shares. The agreement requires the city to construct assets for this entity over a three year period in exchange for water shares. The balance of this agreement at year end was \$603,738 and the projected current portion due in one year on the contract was \$201,246.

**REQUIRED SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Budgetary Comparison Schedule General Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with
					Final Budget
<b>REVENUES</b>					
General property taxes	\$ 505,000	\$ (15,494)	\$ 489,506	\$ 490,937	\$ 1,431
Sales, use, and excise taxes	2,215,000	(19,748)	2,195,252	2,462,852	267,600
Franchise taxes	1,138,000	(76,086)	1,061,914	910,908	(151,006)
Licenses	52,000	(5,292)	46,708	45,677	(1,031)
Permits	2,141,532	299,711	2,441,243	2,576,560	135,317
Interest	21,600	(6,545)	15,055	17,724	2,669
Intergovernmental	778,000	105,382	883,382	754,221	(129,161)
Fines	176,650	(24,150)	152,500	147,662	(4,838)
Charges for services	402,850	37,403	440,253	633,104	192,851
Grants	6,000	(6,000)	-	38,254	38,254
Sale of assets	5,000	135,116	140,116	140,116	-
Miscellaneous	323,868	88,718	412,586	191,493	(221,093)
Total revenues	<u>7,765,500</u>	<u>513,015</u>	<u>8,278,515</u>	<u>8,409,508</u>	<u>130,993</u>
<b>EXPENDITURES</b>					
Administrative	1,217,043	110,944	1,327,987	1,226,223	101,764
Facilities	239,113	4,130	243,243	221,557	21,686
Information technology	490,993	36,419	527,412	486,381	41,031
Highways and streets	864,728	(54,910)	809,818	737,065	72,753
Street lights	355,013	14,786	369,799	321,157	48,642
Storm drain maintenance	250,361	64,521	314,882	242,263	72,619
Street signs	117,712	6,312	124,024	67,719	56,305
Cemetery	38,116	3,771	41,887	24,400	17,487
Public safety	222,197	1,720	223,917	220,783	3,134
Parks and recreation	1,368,933	101,829	1,470,762	1,298,551	172,211
Community affairs	445,332	132,204	577,536	577,182	354
Engineering	345,850	222,354	568,204	568,145	59
Fleet management	152,769	6,725	159,494	143,248	16,246
Human resources	221,817	(7,292)	214,525	197,098	17,427
Community development	1,115,279	86,897	1,202,176	736,655	465,521
Interest	231,000	(231,000)	-	-	-
Total expenditures	<u>7,676,256</u>	<u>499,410</u>	<u>8,175,666</u>	<u>7,068,427</u>	<u>1,107,239</u>
expenditures (usage of fund balance)	<u>89,244</u>	<u>13,605</u>	<u>102,849</u>	<u>1,341,081</u>	<u>1,238,232</u>
<b>OTHER FINANCING SOURCES</b>					
Lease proceeds	27,540	-	27,540	27,540	-
Transfers out	(183,234)	7,845	(175,389)	-	175,389
Transfers in	-	-	-	(629,823)	(629,823)
Total other financing sources	<u>(155,694)</u>	<u>7,845</u>	<u>(147,849)</u>	<u>(602,283)</u>	<u>(454,434)</u>
Net change in fund balance	(66,450)	21,450	(45,000)	738,798	783,798
FUND BALANCE, JULY 1, 2011	<u>747,943</u>	<u>747,973</u>	<u>747,943</u>	<u>747,943</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 681,493</u>	<u>\$ 769,423</u>	<u>\$ 702,943</u>	<u>\$ 1,486,741</u>	<u>\$ 783,798</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Public Safety Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 1,988,373	\$ (805,379)	\$ 1,182,994	\$ 1,177,497	\$ (5,497)
Interest	-	-	-	-	-
Total revenues	<u>1,988,373</u>	<u>(805,379)</u>	<u>1,182,994</u>	<u>1,177,497</u>	<u>(5,497)</u>
EXPENDITURES					
Public Safety	<u>2,153,903</u>	<u>(874,223)</u>	<u>1,279,680</u>	<u>1,229,490</u>	<u>50,190</u>
Total expenditures	<u>2,153,903</u>	<u>(874,223)</u>	<u>1,279,680</u>	<u>1,229,490</u>	<u>50,190</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(165,530)</u>	<u>68,844</u>	<u>(96,686)</u>	<u>(51,993)</u>	<u>44,693</u>
OTHER FINANCES SOURCES (USES)					
Transfers in	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(130,530)	33,844	(96,686)	(51,993)	44,693
FUND BALANCE, JULY 1, 2011	<u>143,739</u>	<u>143,739</u>	<u>143,739</u>	<u>143,739</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 13,209</u>	<u>\$ 177,583</u>	<u>\$ 47,053</u>	<u>\$ 91,746</u>	<u>\$ 44,693</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Towne Center Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
<b>REVENUES</b>					
Impact fees	\$ -	\$ 311,175	\$ 311,175	\$ 397,564	\$ 86,389
Contributions	-	20,000	20,000	133,343	113,343
Charges for services	657,600	637,554	1,295,154	603,593	(691,561)
Other	-	20,000	20,000	18,513	-
Interest	-	-	-	-	-
Total revenues	<u>657,600</u>	<u>988,729</u>	<u>1,646,329</u>	<u>1,153,013</u>	<u>(491,829)</u>
<b>EXPENDITURES</b>					
Capital outlay	922,037	(865,881)	56,156	456,171	(400,015)
Principal	-	670,000	670,000	670,000	-
Interest	-	788,894	788,894	788,894	-
Total expenditures	<u>922,037</u>	<u>593,013</u>	<u>1,515,050</u>	<u>1,915,065</u>	<u>(400,015)</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(264,437)</u>	<u>395,716</u>	<u>131,279</u>	<u>(762,052)</u>	<u>(891,844)</u>
<b>OTHER FINANCES SOURCES (USES)</b>					
Bond Proceeds	264,437	(264,437)	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources	<u>264,437</u>	<u>(264,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	131,279	131,279	(762,052)	(891,844)
FUND BALANCE, JULY 1, 2011	<u>3,130,008</u>	<u>3,130,008</u>	<u>3,130,008</u>	<u>3,130,008</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 3,130,008</u>	<u>\$ 3,261,287</u>	<u>\$ 3,261,287</u>	<u>\$ 2,367,956</u>	<u>\$ (891,844)</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Herriman Parkway Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with Final Budget
REVENUES					
Interest	\$ -	\$ 299	\$ 299	\$ 279	\$ (20)
Other	-	1,564,299	1,564,299	1,564,000	(299)
Total revenues	-	1,564,598	1,564,598	1,564,279	(319)
EXPENDITURES					
Capital Outlay	100,000	1,082,701	1,182,701	1,664,600	(481,899)
Total expenditures	100,000	1,082,701	1,182,701	1,664,600	(481,899)
Excess of revenues over expenditures (usage of fund balance)	(100,000)	481,897	381,897	(100,321)	(482,218)
Net change in fund balance	(100,000)	481,897	381,897	(100,321)	(482,218)
FUND BALANCE, JULY 1, 2011	160,026	160,026	160,026	160,026	-
FUND BALANCE, JUNE 30, 2012	\$ 60,026	\$ 641,923	\$ 541,923	\$ 59,705	\$ (482,218)

## **SUPPLEMENTARY INFORMATION**

# HERRIMAN CITY

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	<u>Parks Special Revenue</u>	<u>Flood Control Special Revenue</u>	<u>Capital Improvements</u>	<u>Roads Special Revenue</u>	<u>Street Signs Special Revenue</u>	<u>Street Lights Special Revenue</u>	<u>Mayor Crane Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
<b>ASSETS</b>									
Cash, unrestricted	\$ -	\$ -	\$ 125,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,456
Accounts receivable	-	-	-	46,293	-	-	-	-	46,293
Cash, restricted	416,167	56,129	293,322	331,204	19,919	51,761	635	242	1,169,379
<b>Total assets</b>	<u>\$ 416,167</u>	<u>\$ 56,129</u>	<u>\$ 418,778</u>	<u>\$ 377,497</u>	<u>\$ 19,919</u>	<u>\$ 51,761</u>	<u>\$ 635</u>	<u>\$ 242</u>	<u>\$ 1,341,128</u>
<b>LIABILITIES</b>									
Accounts payable	\$ 9,510	\$ -	\$ 149,810	\$ 9,563	\$ 454	\$ 1,000	\$ -	\$ -	\$ 170,337
Checks in excess of cash	-	-	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	137	-	-	-	137
<b>Total liabilities</b>	<u>9,510</u>	<u>-</u>	<u>149,810</u>	<u>9,563</u>	<u>591</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>170,474</u>
<b>Fund balances</b>									
Restricted bond sinking fund	-	-	293,322	-	-	-	-	-	293,322
Restricted	406,657	56,129	-	367,934	19,328	50,761	635	242	901,686
Assigned	-	-	(24,354)	-	-	-	-	-	(24,354)
<b>Total fund balance</b>	<u>406,657</u>	<u>56,129</u>	<u>268,968</u>	<u>367,934</u>	<u>19,328</u>	<u>50,761</u>	<u>635</u>	<u>242</u>	<u>1,170,654</u>
<b>Total liabilities and fund balance</b>	<u>\$ 416,167</u>	<u>\$ 56,129</u>	<u>\$ 418,778</u>	<u>\$ 377,497</u>	<u>\$ 19,919</u>	<u>\$ 51,761</u>	<u>\$ 635</u>	<u>\$ 242</u>	<u>\$ 1,341,128</u>

# HERRIMAN CITY

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2012

	Parks Special Revenue	Flood Control Special Revenue	Capital Improvemens	Roads Special Revenue	Street Signs Special Revenue	Street Lights Special Revenue	Mayor Crane Special Revenue	Debt Service	Totals
REVENUES									
Impact fees	\$ 720,784	\$ 115,859	\$ -	\$ 676,470	\$ -	\$ -	\$ -	\$ -	\$ 1,513,113
Interest	402	224	-	790	-	-	5	135	1,556
Charges for services	-	-	-	315,000	4,275	80,825	-	-	400,100
Salt of assets	-	-	556,052	-	-	-	-	-	556,052
Total revenues	<u>721,186</u>	<u>116,083</u>	<u>556,052</u>	<u>992,260</u>	<u>4,275</u>	<u>80,825</u>	<u>5</u>	<u>135</u>	<u>2,470,821</u>
EXPENDITURES									
Capital outlay	578,721	107,455	1,042,494	338,103	22,220	148,260	-	-	2,237,253
Public safety	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	200,000	-	-	-	-	200,000
Interest	-	-	-	380,196	-	-	-	-	380,196
Total expenditures	<u>578,721</u>	<u>107,455</u>	<u>1,042,494</u>	<u>918,299</u>	<u>22,220</u>	<u>148,260</u>	<u>-</u>	<u>-</u>	<u>2,817,449</u>
Revenues over (under) expenditures	<u>142,465</u>	<u>8,628</u>	<u>(486,442)</u>	<u>73,961</u>	<u>(17,945)</u>	<u>(67,435)</u>	<u>5</u>	<u>135</u>	<u>(346,628)</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	629,823	-	-	-	-	-	629,823
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>629,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>629,823</u>
Revenues and other sources over expenditures and other uses	<u>142,465</u>	<u>8,628</u>	<u>143,381</u>	<u>73,961</u>	<u>(17,945)</u>	<u>(67,435)</u>	<u>5</u>	<u>135</u>	<u>283,195</u>
FUND BALANCE, JULY 1, 2011	<u>264,192</u>	<u>47,501</u>	<u>125,587</u>	<u>293,973</u>	<u>37,273</u>	<u>118,196</u>	<u>630</u>	<u>107</u>	<u>887,459</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 406,657</u>	<u>\$ 56,129</u>	<u>\$ 268,968</u>	<u>\$ 367,934</u>	<u>\$ 19,328</u>	<u>\$ 50,761</u>	<u>\$ 635</u>	<u>\$ 242</u>	<u>\$ 1,170,654</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Parks Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Impact fees	\$ 253,000	\$ 482,000	\$ 735,000	\$ 720,784	\$ (14,216)
Interest	120	277	397	402	5
Charges for services	-	-	-	-	-
Total revenues	<u>253,120</u>	<u>482,277</u>	<u>735,397</u>	<u>721,186</u>	<u>(14,211)</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>510,000</u>	<u>97,894</u>	<u>607,894</u>	<u>578,721</u>	<u>29,173</u>
Total expenditures	<u>510,000</u>	<u>97,894</u>	<u>607,894</u>	<u>578,721</u>	<u>29,173</u>
Excess revenues over expenditures	(256,880)	384,383	127,503	142,465	14,962
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	(256,880)	384,383	127,503	142,465	14,962
FUND BALANCE, JULY 1, 2011	<u>264,192</u>	<u>264,192</u>	<u>264,192</u>	<u>264,192</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 7,312</u>	<u>\$ 648,575</u>	<u>\$ 391,695</u>	<u>\$ 406,657</u>	<u>\$ 14,962</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Flood Control Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
impact fees	\$ 198,000	\$ (101,569)	\$ 96,431	\$ 115,859	\$ 19,428
Interest	100	117	217	224	7
Total revenues	<u>198,100</u>	<u>(101,452)</u>	<u>96,648</u>	<u>116,083</u>	<u>19,435</u>
EXPENDITURES					
Capital outlay	159,935	36,687	196,622	107,455	89,167
Total expenditures	<u>159,935</u>	<u>36,687</u>	<u>196,622</u>	<u>107,455</u>	<u>89,167</u>
Excess revenues over expenditures	38,165	(138,139)	(99,974)	8,628	108,602
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	38,165	(138,139)	(99,974)	8,628	108,602
FUND BALANCE, JULY 1, 2011	<u>47,501</u>	<u>47,501</u>	<u>47,501</u>	<u>47,501</u>	-
FUND BALANCE, JUNE 30, 2012	<u>\$ 85,666</u>	<u>\$ (90,638)</u>	<u>\$ (52,473)</u>	<u>\$ 56,129</u>	<u>\$ 108,602</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Roads Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ 150	\$ 518	\$ 668	\$ 790	\$ 122
Charges for services	-	315,000	315,000	315,000	-
Other	-	-	-	-	-
Impact fees	278,250	388,500	666,750	676,470	9,720
Total revenues	<u>278,400</u>	<u>704,018</u>	<u>982,418</u>	<u>992,260</u>	<u>9,842</u>
Expenditures					
Capital outlay	54,870	461,760	516,630	338,103	178,527
Debt service					
Principal	300,000	(100,000)	200,000	200,000	-
Interest	-	100,000	100,000	380,196	(280,196)
Total expenditures	<u>354,870</u>	<u>461,760</u>	<u>816,630</u>	<u>918,299</u>	<u>(101,669)</u>
Excess of revenues over expenditures	<u>(76,470)</u>	<u>242,258</u>	<u>165,788</u>	<u>73,961</u>	<u>111,511</u>
Transfers out	-	25,000	25,000	-	-
Net change in fund balance	(76,470)	267,258	190,788	73,961	111,511
FUND BALANCE, JULY 1, 2011	<u>293,934</u>	<u>293,973</u>	<u>293,973</u>	<u>293,973</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 217,464</u>	<u>\$ 561,231</u>	<u>\$ 484,761</u>	<u>\$ 367,934</u>	<u>\$ 111,511</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Signs Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 12,000	\$ (5,539)	\$ 6,461	\$ 4,275	\$ (2,186)
Total revenues	<u>12,000</u>	<u>(5,539)</u>	<u>6,461</u>	<u>4,275</u>	<u>(2,186)</u>
EXPENDITURES					
Capital outlay	<u>2,900</u>	<u>28,835</u>	<u>31,735</u>	<u>22,220</u>	<u>9,515</u>
Total expenditures	<u>2,900</u>	<u>28,835</u>	<u>31,735</u>	<u>22,220</u>	<u>9,515</u>
Excess of revenues over expenditures (usage of fund balance)	<u>9,100</u>	<u>(34,374)</u>	<u>(25,274)</u>	<u>(17,945)</u>	<u>7,329</u>
OTHER FINANCES SOURCES (USES)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	9,100	(34,374)	(25,274)	(17,945)	7,329
FUND BALANCE, JULY 1, 2011	<u>37,273</u>	<u>37,273</u>	<u>37,273</u>	<u>37,273</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 46,373</u>	<u>\$ 2,899</u>	<u>\$ 11,999</u>	<u>\$ 19,328</u>	<u>\$ 7,329</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 40,000	\$ 20,725	\$ 60,725	\$ 80,825	\$ 20,100
Interest	-	-	-	-	-
Total revenues	<u>40,000</u>	<u>20,725</u>	<u>60,725</u>	<u>80,825</u>	<u>20,100</u>
EXPENDITURES					
Capital outlay	34,500	133,250	167,750	148,260	19,490
Total expenditures	<u>34,500</u>	<u>133,250</u>	<u>167,750</u>	<u>148,260</u>	<u>19,490</u>
Excess of revenues over expenditures (usage of fund balance)	<u>5,500</u>	<u>(112,525)</u>	<u>(107,025)</u>	<u>(67,435)</u>	<u>39,590</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	5,500	(112,525)	(107,025)	(67,435)	39,590
FUND BALANCE, JULY 1, 2011	<u>118,196</u>	<u>118,196</u>	<u>118,196</u>	<u>118,196</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ 123,696</u>	<u>\$ 5,671</u>	<u>\$ 11,171</u>	<u>\$ 50,761</u>	<u>\$ 39,590</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Debt Service Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ -	\$ -	\$ 135	\$ 135
Total revenues	-	-	-	135	135
EXPENDITURES					
Debt service	-	-	-	-	-
General Government	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess revenues over expenditures	-	-	-	135	135
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	-	-	-	135	135
FUND BALANCE, JULY 1, 2011	107	107	107	107	-
FUND BALANCE, JUNE 30, 2012	\$ 107	\$ 107	\$ 107	\$ 242	\$ 135

# HERRIMAN CITY

## Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
<b>REVENUES</b>					
Sale of assets	\$ -	\$ 557,999	\$ 557,999	\$ 556,052	\$ (1,947)
Intergovernmental	-	-	-	-	-
Contributions	-	-	-	-	-
Interest income	-	-	-	-	-
Miscellaneous	115,000	(115,000)	-	-	-
Total revenues	<u>115,000</u>	<u>442,999</u>	<u>557,999</u>	<u>556,052</u>	<u>(1,947)</u>
<b>EXPENDITURES</b>					
Capital outlay	874,110	90,613	964,723	1,042,494	(77,771)
Parks	-	-	-	-	-
Bond costs	-	-	-	-	-
Total expenditures	<u>874,110</u>	<u>90,613</u>	<u>964,723</u>	<u>1,042,494</u>	<u>(77,771)</u>
Excess of revenues over expenditures (usage of fund balance)	<u>(759,110)</u>	<u>352,386</u>	<u>(406,724)</u>	<u>(486,442)</u>	<u>(79,718)</u>
<b>OTHER FINANCES SOURCES (USES)</b>					
Bond proceeds	610,876	(610,876)	-	-	-
Transfers out	-	-	-	-	-
Transfers in	148,234	147,155	295,389	629,823	334,434
Total other financing sources	<u>148,234</u>	<u>147,155</u>	<u>295,389</u>	<u>629,823</u>	<u>334,434</u>
Net change in fund balance	(610,876)	499,541	(111,335)	143,381	254,716
FUND BALANCE, JULY 1, 2011	<u>125,587</u>	<u>125,587</u>	<u>125,587</u>	<u>125,587</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ (485,289)</u>	<u>\$ 625,128</u>	<u>\$ 14,252</u>	<u>\$ 268,968</u>	<u>\$ 254,716</u>

# HERRIMAN CITY

## Budgetary Comparison Schedule Mayor Crane Special Revenue Fund Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -		\$ -
Interest	-	4	4	5	1
Total revenues	-	4	4	5	1
EXPENDITURES					
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	-	4	4	5	1
Net change in fund balance	-	4	4	5	1
FUND BALANCE, JULY 1, 2011	630	630	630	630	-
FUND BALANCE, JUNE 30, 2012	\$ 630	\$ 634	\$ 634	\$ 635	\$ 1



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A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

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

The Honorable Mayor and City Council  
Herriman City, Utah

December 12, 2012

We have audited the City of Herriman’s compliance with general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

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

The City did not receive any major or nonmajor state grants during the year ended June 30, 2012.

Compliance with the requirements referred to above is the responsibility of the City’s management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City of Herriman, Utah complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed other instance of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in our letter to management dated December 12, 2012.

Management's response to the findings identified in our audit is described in the accompanying letter to management. We did not audit management'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 Office of the 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.

Sincerely,

A handwritten signature in black ink that reads "Gilbert & Stewart". The signature is written in a cursive, flowing style.

GILBERT & STEWART  
*Certified Public Accountants*



# GILBERT & STEWART

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and City Council  
Herriman City, Utah

December 12, 2012

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Herriman City, in a separate letter dated December 12, 2012.

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

Sincerely,

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

GILBERT & STEWART  
*Certified Public Accountants*