



HERRIMAN CITY

**Annual Financial Report
Fiscal Year Ended June 30, 2013
(With Auditor's Report Therein)**

HERRIMAN CITY

Table of Contents

Financial Section:

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Fund Financial Statements:	
Statement of Net Position	10
Statement of Activities	12
Government Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	16
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to the Financial Statements	20

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund	39
Budgetary Comparison Schedule –Public Safety Special Revenue	40
Budgetary Comparison Schedule –Towne Center Special Revenue	41

Supplementary Information:

Governmental Funds	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Non-major Governmental Funds	44
Budgetary Comparison Schedules:	
Parks Special Revenue Fund	45
Flood Control Special Revenue Fund	46
Herriman Parkway Special Revenue Fund	47
Roads Special Revenue Fund	48
Street Signs Special Revenue Fund	49
Street Lights Special Revenue Fund	50
Debt Service Fund	51
Capital Improvement Fund	52
Mayor Crane Special Revenue Fund	53

Auditors' Opinion on State Compliance	54
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards.</i>	56



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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Herriman City
Herriman, UT

Report on the Financial Statements

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Herriman City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 , 39-41, and 45-53 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Herriman City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2013, on our consideration of the Herriman City's internal control over financial reporting and on our tests of its compliance with certain provisions 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Herriman City's internal control over financial reporting and compliance.

GILBERT & STEWART, CPA, PC

Gilbert & Stewart

Provo, Utah 84601
December 12, 2013

HERRIMAN CITY

Management's Discussion and Analysis Fiscal Year Ended June 30, 2013

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, 2013. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The net position of Herriman City exceeded its liabilities at the end of the current fiscal year by \$215,069,516 (net position). Of this amount, \$24,767,129 (unrestricted) is available to meet ongoing obligations to citizens and creditors. Net position increased by \$14,209,074 from the current year and the decrease of \$889,140 prior period adjustment

The City's governmental activities reported a combined ending fund balance of \$167,146,767. Of the combined total fund balance, \$18,366,571 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, 2013, totaled \$1,579,488 and is 16% of the general fund total revenues for the year. Total debt for Herriman City is approximately \$46,156,704.

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 position and the statement of activities.

The statement of net position shows Herriman City's entire assets and liabilities with the difference shown as net position. Increases or decreases over time in net position give an indicator as to whether the financial condition of Herriman is improving or declining.

The statement of activities shows the changes to net position 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 two major government funds. Of this number, information is shown separately for the general fund, and the town center special revenue fund, both 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

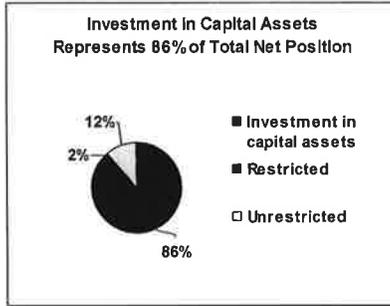
The combining statements referred to earlier for non-major governmental funds are contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Herriman City Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2013	2013	2012
Current assets	\$ 8,153,403	\$ 6,215,576	\$ 10,029,977	\$ 5,635,508	\$ 18,183,380	\$ 11,851,084
Non-current assets	589,228	1,491,159	452,275	478,460	1,041,503	1,967,619
Capital assets	170,947,288	161,601,326	61,300,934	56,332,321	232,248,222	217,933,647
Other assets	15,656,274	16,312,818	-	432,596	15,656,274	16,745,414
Total assets	195,346,193	185,620,879	71,783,186	62,876,885	267,129,379	248,497,764
Current liabilities	3,841,526	2,153,514	1,905,006	1,573,850	5,746,532	3,727,364
Non-current liabilities	23,911,317	24,843,594	21,955,431	18,177,224	45,866,748	43,020,818
Total liabilities	27,752,843	26,997,108	23,860,437	19,751,074	51,613,280	46,748,182
Deferred inflows of Resources						
Deferred property taxes	446,583	-	-	-	446,583	-
Net position						
Investment in capital assets, net of related debt	147,361,038	136,454,715	38,843,710	37,539,983	186,204,748	173,994,698
Restricted	1,419,158	3,717,412	2,678,481	1,955,374	4,097,639	5,672,786
Unrestricted	18,366,571	18,451,644	6,400,558	3,630,454	24,767,129	22,082,098
Total net position	167,146,767	158,623,771	47,922,749	43,125,811	215,069,516	201,749,582
Total liabilities and net position	\$ 195,346,193	\$ 185,620,879	\$ 71,783,186	\$ 62,876,885	\$ 267,129,379	\$ 248,497,764

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



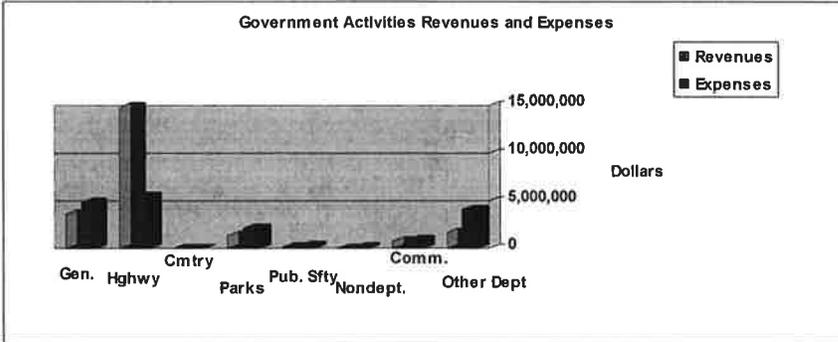
An additional part of net position (2%) are assets that are subject to external restrictions on how they may be expended. The remaining 12% of net position can be used to meet the City's ongoing obligations to its creditors and to citizens.

Herrman City's Changes in Net Position

	Governmental Activities		Business Type Activities	
	2013	2012	2013	2012
REVENUES				
Charges for services	\$ 7,382,206	\$ 6,548,590	\$ 5,733,022	\$ 4,978,695
Operating grants and contributions	810,853	925,011	-	-
Capital grants and contributions	14,353,680	4,809,693	6,612,997	2,819,266
General Revenues				
Property taxes, levied for general purposes	581,374	490,937	-	-
Franchise taxes	1,296,438	1,154,222	-	-
Sales taxes	2,384,822	2,219,538	-	-
Gain from sale of assets	-	167,655	-	-
Other revenues	40,495	6,172	-	-
Investment earnings	48,039	38,071	43,642	28,905
Total revenues	26,897,907	16,359,889	12,389,661	7,826,866
EXPENSES				
General government	4,895,366	4,580,884	-	-
Facilities	150,454	120,424	-	-
Information technology	808,804	504,183	-	-
Highway and streets	5,386,808	4,656,810	-	-
Storm drain	171,094	1,063,641	-	-
Cemetery	48,347	37,805	-	-
Parks	295,457	2,072,255	-	-
Public safety	2,150,700	1,469,300	-	-
Nondepartmental	170,438	162,238	-	-
Community development	905,657	862,776	-	-
Community affairs	621,757	508,912	-	-
Street lights	375,978	326,521	-	-
Street signs	76,762	67,719	-	-
Engineering	681,740	567,543	-	-
Interest on long-term debt	1,179,005	450,903	-	-
Water	-	-	7,160,127	6,509,245
Total expenses	17,918,367	17,451,914	7,160,127	6,509,245
OTHER SOURCES				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other sources	-	-	-	-
CHANGES IN NET POSITION	8,979,540	(1,092,025)	5,229,534	1,317,621
Net position, July 1	158,623,771	159,715,796	43,125,811	41,808,190
Prior period adjustment	(456,544)	-	(432,596)	-
Net position, June 30	\$ 167,146,767	\$ 158,623,771	\$ 47,922,749	\$ 43,125,811

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities' net position increased by \$8,979,540 for the year ended June 30, 2013. 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.

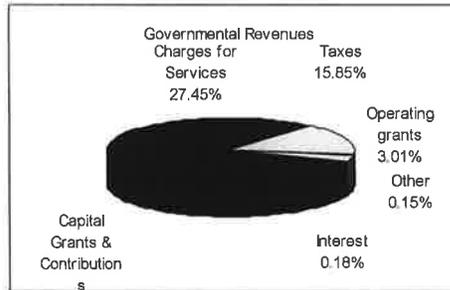
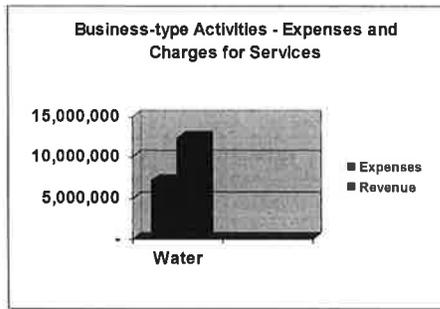


Business-type activities contributed an amount of \$5,229,534. The most significant reason for this increase in business-type activities is a capital contribution from developers.

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, 2013.

For the period ended June 30, 2013, the City's governmental funds reported combined net position in the amount of \$4,499,971 with a decrease of \$676,830 compared with the prior fiscal year. Of the total balance at year-end, \$1,579,488 is unassigned. Of the remaining \$2,920,483 of combined net position, \$2,088,052 is reserved for servicing the City's debt, with the remaining \$832,431 being reserved for capital projects of the City.



The general fund is the main operating fund for Herriman City. At June 30, 2013, the general fund's unassigned fund balance was \$1,579,488. The total fund balance of the general fund for Herriman City increased by \$180,520. 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 special revenue town center decreased by \$619,092.

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the City's major proprietary fund totaled \$6,400,558. Discussions about the finances of this fund are addressed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets for the general fund amounted to a total increase in expenses of \$909,352. Most of the increase was a result of increase from capital projects and services. The town center special revenue fund increased expenditure loan payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Herriman City's investment in capital assets for its governmental and business type activities has a combined total of \$232,248,222 (net of \$59,499,066 accumulated depreciation) at June 30, 2013. 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 \$4,015,403. The City's investment in net capital assets equals nearly 87% 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:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 60,705,200	\$ 57,738,400	\$ 1,897,790	\$ 1,457,212
Easements	6,224,064	6,172,564	-	1,457,212
Infrastructure	927,113	927,113	-	-
Buildings	6,238,620	6,238,620	58,400	58,400
Water rights	-	-	8,855,215	7,799,133
Improvements, other than buildings	136,308,977	123,915,162	60,256,282	55,633,206
Vehicles	2,643,301	2,571,080	375,317	349,985
Office furniture and equipment	2,588,191	2,495,676	653,415	653,415
Construction in progress	2,915,182	554,270	1,100,221	229,713
Accumulated depreciation	<u>(47,603,360)</u>	<u>(39,011,559)</u>	<u>(11,895,706)</u>	<u>(9,848,743)</u>
Net book value	<u>\$ 170,947,288</u>	<u>\$ 161,601,326</u>	<u>\$ 61,300,934</u>	<u>\$ 57,789,533</u>

At June 30, 2013, Herriman City's total debt amounted to \$46,156,704. Of this amount \$23,586,250 was governmental activities and \$22,570,454 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 2013.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ 7,450,000	\$ 7,650,000	\$ 21,757,000	\$ 17,979,000	\$ 29,207,000	\$ 25,629,000
Special assessment bonds	15,950,000	17,625,000	-	-	15,950,000	17,625,000
Bond discount or premium	(207,773)	(219,871)	176,589	182,291	(31,184)	(37,580)
Installment obligation	300,000	-	603,738	-	903,738	-
Capital leases	94,023	91,481	33,127	27,309	127,150	118,790
Total	<u>\$ 23,586,250</u>	<u>\$ 25,146,610</u>	<u>\$ 22,570,454</u>	<u>\$ 18,188,600</u>	<u>\$ 46,156,704</u>	<u>\$ 43,335,210</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As of July 2013, 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 2013 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 Position June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents			
Restricted	\$ 2,636,428	\$ 6,619,361	\$ 9,255,789
Unrestricted	2,911,541	2,583,485	5,495,026
Receivables			
Property, and franchise and excise taxes	1,164,582	-	1,164,582
Special assessments receivable	200,000	-	200,000
Social security receivable	1,195,546	-	1,195,546
Accounts, less allowance for doubtful accounts of \$0	29,914	707,465	737,379
Prepaid expenses	15,392	-	15,392
Inventory	-	119,666	119,666
Total current assets	<u>8,153,403</u>	<u>10,029,977</u>	<u>18,183,380</u>
NONCURRENT ASSETS			
Restricted cash and cash equivalents	<u>589,228</u>	<u>452,275</u>	<u>1,041,503</u>
Property and equipment, net			
Land and water rights	60,705,200	10,753,004	71,458,204
Easements	6,224,064	-	6,224,064
Infrastructure	591,276	-	591,276
Buildings	4,528,771	58,400	4,587,171
Improvements, other than buildings	95,137,085	48,360,579	143,497,664
Vehicles	165,736	375,314	541,050
Office furniture and equipment	679,974	653,416	1,333,390
Construction in progress	2,915,182	1,100,221	4,015,403
Net property and equipment	<u>170,947,288</u>	<u>61,300,934</u>	<u>232,248,222</u>
Long term special assessments	<u>15,656,274</u>	<u>-</u>	<u>15,656,274</u>
Total other noncurrent assets	<u>15,656,274</u>	<u>-</u>	<u>15,656,274</u>
Total noncurrent assets	<u>187,192,790</u>	<u>61,753,209</u>	<u>248,945,999</u>
Total assets	<u>\$195,346,193</u>	<u>\$ 71,783,186</u>	<u>\$267,129,379</u>

HERRIMAN CITY

Statement of Net Position, Continued June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 2,395,700	\$ 855,755	\$ 3,251,455
Current portion of long-term debt payable from restricted assets	897,903	652,000	1,549,903
Current portion of capital leases	62,071	16,055	78,126
Current portion purchase agreement	-	-	-
Accrued liabilities	206,664	11,168	217,832
Accrued interest, payable from restricted assets	279,188	370,028	649,216
Total current liabilities	<u>3,841,526</u>	<u>1,905,006</u>	<u>5,746,532</u>
NONCURRENT LIABILITIES			
Long-term compensation liability	291,326	53,032	344,358
Bonds payable from restricted sources	22,294,324	21,281,589	43,575,913
Purchase agreement	300,000	603,738	903,738
Capital leases	31,952	17,072	49,024
Construction bonds	993,715	-	993,715
Total noncurrent liabilities	<u>23,911,317</u>	<u>21,955,431</u>	<u>45,866,748</u>
Total liabilities	<u>27,752,843</u>	<u>23,860,437</u>	<u>51,613,280</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	446,583	-	446,583
Total deferred inflows of resources	<u>446,583</u>	<u>-</u>	<u>446,583</u>
NET POSITION			
Investment in capital assets, net of related debt	147,361,038	38,843,710	186,204,748
Restricted for:			
Capital projects	742,158	2,226,207	2,968,365
Debt service	589,227	452,274	1,041,501
Other restricted	87,773	-	87,773
Unrestricted	18,366,571	6,400,558	24,767,129
Total net position	<u>167,146,767</u>	<u>47,922,749</u>	<u>215,069,516</u>
Total liabilities and net position	<u>\$ 195,346,193</u>	<u>\$ 71,783,186</u>	<u>\$ 267,129,379</u>

HERRIMAN CITY

Statement of Activities
Fiscal Year Ended June 30, 2013

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Government Activities	Business- Type Activities	Total
PRIMARY GOVERNMENT							
Government activities							
General government	\$ 4,895,366	\$ 3,594,800	\$ 13,096	\$ -	\$ (1,287,470)	\$ -	\$ (1,287,470)
Facilities	150,454	-	-	-	(150,454)	-	(150,454)
Information technology	808,804	-	-	-	(808,804)	-	(808,804)
Highway and streets	5,386,808	892,154	783,497	12,929,174	9,318,017	-	9,318,017
Storm drain	171,094	314,829	-	1,424,506	1,568,241	-	1,568,241
Cemetery	48,347	89,490	-	-	41,143	-	41,143
Public safety	295,457	251,321	14,260	-	(29,876)	-	(29,876)
Parks	2,150,700	1,380,819	-	-	(769,881)	-	(769,881)
Non-departmental	170,438	-	-	-	(170,438)	-	(170,438)
Community development	905,657	758,793	-	-	(146,864)	-	(146,864)
Community affairs	621,757	-	-	-	(621,757)	-	(621,757)
Street lights	375,978	-	-	-	(375,978)	-	(375,978)
Street signs	76,762	-	-	-	(76,762)	-	(76,762)
Engineering	881,740	-	-	-	(881,740)	-	(881,740)
Interest on long-term debt	1,179,005	-	-	-	(1,179,005)	-	(1,179,005)
Total government activities	<u>17,918,367</u>	<u>7,382,206</u>	<u>810,853</u>	<u>14,353,680</u>	<u>4,628,372</u>	<u>-</u>	<u>4,628,372</u>
Business-type activities							
Water	7,160,127	5,733,022	-	6,812,997	-	5,185,892	5,185,892
Total business-type activities	<u>7,160,127</u>	<u>5,733,022</u>	<u>-</u>	<u>6,812,997</u>	<u>-</u>	<u>5,185,892</u>	<u>5,185,892</u>
Total primary government	<u>\$ 25,078,494</u>	<u>\$ 13,115,228</u>	<u>\$ 810,853</u>	<u>\$ 20,966,677</u>	<u>4,628,372</u>	<u>5,185,892</u>	<u>9,814,264</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					581,374	-	581,374
Franchise taxes					1,296,438	-	1,296,438
Sales taxes					2,384,822	-	2,384,822
Gain or loss on sale of assets					-	-	-
Other revenues					40,495	-	40,495
Investment earnings					48,039	43,642	91,681
Transfers					-	-	-
Total general revenues, special items, and transfers					<u>4,351,168</u>	<u>43,642</u>	<u>4,394,810</u>
Changes in net position					8,979,540	5,228,534	14,208,074
Net position, July 1, 2012					158,623,771	43,125,811	201,749,582
Prior period adjustment					(458,544)	(432,596)	(891,140)
Net position, June 30, 2013					<u>\$ 167,145,767</u>	<u>\$ 47,922,749</u>	<u>\$ 215,068,516</u>

HERRIMAN CITY

Balance Sheet Governmental Funds June 30, 2013

	General	Special Revenue Towne Center	Other Governmental Funds	Total Governmental Funds
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 2,855,346 ✓	\$ 2,500	\$ 53,695	\$ 2,911,541
Receivables				
Property, franchise, and excise tax	1,164,582	-	-	1,164,582
Other receivables, less allowance for doubtful loans of \$0	1,225,461	-	-	1,225,461
Special assessments	-	15,856,274	-	15,856,274
Prepaid expenses	15,392	-	-	15,392
Restricted cash and cash equivalents	87,773 ✓	1,748,864	1,389,019	3,225,656
Total assets	\$ 5,348,554	\$ 17,607,638	\$ 1,442,714	\$ 24,398,906
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,034,331 ✓	\$ 2,500	\$ 358,868	\$ 2,395,699
Accrued liabilities	206,664	-	-	206,664
Construction bonds	993,715 ✓	-	-	993,715
Total liabilities	<u>3,234,710</u>	<u>2,500</u>	<u>358,868</u>	<u>3,596,078</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	446,583	-	-	446,583
Deferred assessments	-	15,856,274	-	15,856,274
Total deferred inflows of resources	<u>446,583</u>	<u>15,856,274</u>	<u>-</u>	<u>16,302,857</u>
FUND BALANCES				
Unassigned	1,579,488 ✓	-	-	1,579,488
Assigned capital improvements	-	-	-	-
Restricted for:				
Bond funds	-	1,746,364	341,688	2,088,052
Other purposes	87,773 ✓	2,500	742,158	832,431
Total fund balances	<u>1,667,261</u>	<u>1,748,864</u>	<u>1,083,846</u>	<u>4,499,971</u>
Total liabilities and fund balances	\$ 5,348,554	\$ 17,607,638	\$ 1,442,714	\$ 24,398,906

HERRIMAN CITY

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2013

Total Fund Balance		\$ 4,499,971
Total net assets reported for governmental activities in the statement of net position 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	\$ 60,705,200	
Infrastructure	927,113	
Easements	6,224,064	
Buildings	6,238,620	
Improvements, other than buildings	136,311,063	
Equipment	2,587,192	
Construction in progress	2,915,182	
Vehicles	2,643,301	
Less accumulated depreciation	<u>(47,604,447)</u>	
Total capital assets		170,947,288
Special assessment revenue is recognized when the levy is made and when measurable and available in the government funds.		
		15,856,274
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 position.		
Accrued liabilities:		
Obligation for compensation liabilities due after one year	(291,326)	
Accrued Interest	(279,188)	
Bonds payable	(23,492,227)	
Capital leases	<u>(94,025)</u>	
Total liabilities		<u>(24,156,766)</u>
Total net position of governmental activities		<u>\$ 167,146,767</u>

HERRIMAN CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Fiscal Year Ended June 30, 2013

	General	Special Revenue Town Center	Other Governmental Funds	Totals
REVENUES				
General property taxes	\$ 497,403	\$ 83,971	\$ -	\$ 581,374
Sales, use, and excise taxes	2,637,415	-	-	2,637,415
Franchise taxes	1,043,846	-	-	1,043,846
Licenses	49,737	-	-	49,737
Permits	3,446,303	-	-	3,446,303
Interest	29,774	13,852	3,926	47,552
Intergovernmental	797,757	-	-	797,757
Fines	157,179	-	-	157,179
Impact fees	-	83,641	1,928,265	2,011,906
Charges for services	776,275	536,409	257,638	1,570,322
Contributions	661	1,375,157	-	1,375,818
Grants	88,454	-	-	88,454
Sale of assets	-	-	-	-
Miscellaneous	59,380	-	1,536,780	1,596,160
Total revenues	<u>9,584,184</u>	<u>2,093,030</u>	<u>3,726,609</u>	<u>15,403,823</u>
EXPENDITURES				
Current				
Administration	1,502,331	-	-	1,502,331
Facilities	246,683	-	-	246,683
Information technology	734,240	-	-	734,240
Highway and streets	755,823	-	-	755,823
Street lights	347,845	-	-	347,845
Storm drain maintenance	165,693	-	-	165,693
Street signs	76,762	-	-	76,762
Cemetery	32,131	-	-	32,131
Public safety	299,738	-	66,420	366,158
Parks and recreations	1,329,239	-	-	1,329,239
Community affairs	832,497	-	-	832,497
Engineering	716,330	-	-	716,330
Fleet management	158,799	-	-	158,799
Human resources	243,350	-	-	243,350
Community development	752,936	-	-	752,936
Capital outlay	-	383,754	4,431,935	4,815,689
Principal	200,000	1,875,000	-	1,875,000
Interest and other fiscal charges	215,317	729,211	231,953	1,176,481
Total expenditures	<u>8,609,714</u>	<u>2,787,965</u>	<u>4,730,308</u>	<u>16,127,987</u>
Revenues over (under) expenditures	<u>974,470</u>	<u>(694,935)</u>	<u>(1,003,699)</u>	<u>(724,164)</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	47,334	-	-	47,334
Operating transfers in	-	75,843	828,441	904,284
Operating transfers out	(841,284)	-	(63,000)	(904,284)
Total other financing sources (uses)	<u>(793,950)</u>	<u>75,843</u>	<u>765,441</u>	<u>47,334</u>
Revenue and other sources over (under) expenditures and other uses	<u>180,520</u>	<u>(619,092)</u>	<u>(238,258)</u>	<u>(676,830)</u>
FUND BALANCE, JULY 1, 2012	<u>1,486,741</u>	<u>2,367,956</u>	<u>1,322,104</u>	<u>5,176,801</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 1,667,261</u>	<u>\$ 1,748,864</u>	<u>\$ 1,083,846</u>	<u>\$ 4,499,971</u>

HERRIMAN CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities Fiscal Year Ended June 30, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	(676,830)
The change in net position 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 (\$4,876,778) is more than depreciation expense (\$8,591,801).			
			(3,715,023)
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.			1,839,679
Lease proceeds are recorded as revenue in the funds statement and as leases payable in the government wide statements			(47,334)
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	\$	9,494	
Accrued interest		<u>12,097</u>	
			21,591
Contributions from the developer from assets contributed to the City are financial resources and are not reported as revenues in the funds.			12,816,901
Special assessments are recognized when levied and are recorded in the fund statement when measurable and available.			<u>(1,259,444)</u>
Change in net position of governmental activities		\$	<u>8,979,540</u>

HERRIMAN CITY

Statement of Net Position Proprietary Funds June 30, 2013

<u>ASSETS</u>	<u>Business-type Activities Water/Sewer</u>
CURRENT ASSETS	
Cash and cash equivalents	
Restricted	\$ 6,619,361
Unrestricted	2,583,485
Receivables	
Accounts, less allowance for doubtful accounts of \$0	707,465
Inventories	119,666
Total current assets	<u>10,029,977</u>
NONCURRENT ASSETS	
Restricted cash and cash equivalents	<u>452,275</u>
Property and equipment, at cost	
Land and water rights	10,753,004
Work in process	1,100,221
Buildings	58,400
Vehicles	375,314
Improvements, other than buildings	60,256,283
Office furniture and equipment	653,416
Accumulated depreciation	<u>(11,895,704)</u>
Net property and equipment	<u>61,300,934</u>
Total assets	<u>\$ 71,783,186</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 855,755
Current portion of long-term debt payable from restricted assets	652,000
Current portion of capital leases	16,055
Accrued liabilities	11,168
Accrued interest	<u>370,028</u>
Total current liabilities	<u>1,905,006</u>
NONCURRENT LIABILITIES	
Long-term compensation liability	53,032
Capital leases	17,072
Purchase agreement	603,738
Bonds payable from restricted assets	<u>21,281,589</u>
Total noncurrent liabilities	<u>21,955,431</u>
Total liabilities	<u>23,860,437</u>
NET POSITION	
Investment in capital assets, net of related debt	38,843,710
Restricted for:	
Capital projects	2,226,207
Debt service	452,274
Unrestricted	<u>6,400,558</u>
Total net position	<u>47,922,749</u>
Total liabilities and net position	<u>\$ 71,783,186</u>

HERRIMAN CITY

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds Fiscal Year Ended June 30, 2013

	<u>Business-type Activities Water/Sewer</u>
OPERATING REVENUE	
Sales and charges for services	\$ 5,733,022
Total operating revenue	<u>5,733,022</u>
OPERATING EXPENSES	
Personal services	839,176
Supplies	3,076,517
Utilities	351,395
Depreciation and amortization	2,046,963
Total expenses	<u>6,314,051</u>
Operating income	<u>(581,029)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	43,642
Impact fees	2,176,413
Interest expense	(846,076)
Total nonoperating revenues (expenses)	<u>1,373,979</u>
CAPITAL CONTRIBUTIONS	
Grants and other contributions	4,436,584
Total capital contributions	<u>4,436,584</u>
Transfers	
Transfers in	<u>-</u>
Increase in net position	5,229,534
NET POSITION, JULY 1, 2012	43,125,811
Prior period adjustment	<u>(432,596)</u>
NET POSITION, JUNE 30, 2013	<u>\$ 47,922,749</u>

HERRIMAN CITY

Statement of Cash Flows Proprietary Funds Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,625,893
Payments to suppliers	(3,183,063)
Payments to employees	(834,250)
Net cash provided by operating activities	<u>1,608,580</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Impact fees	2,176,413
Purchase of capital assets	(2,553,660)
Principal paid on capital leases	(19,514)
Bond payments	(642,701)
Bond proceeds	4,415,000
Interest paid on bonds and leases	(801,270)
Net cash from capital and related financing activities	<u>2,574,268</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>43,642</u>
Net cash provided from investing activities	<u>43,642</u>
Net increase in cash and cash equivalents	4,226,490
CASH AND CASH EQUIVALENTS, JULY 1, 2012	<u>5,428,631</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	<u>\$ 9,655,121</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (581,029)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	2,046,963
Increase (decrease) due to changes in:	
Accounts receivable	(107,130)
Inventory	(36,664)
Accounts payable	281,514
Accrued liabilities affecting operating activities	(1,004)
Other liabilities	5,930
Net cash provided by operating activities	<u>\$ 1,608,580</u>

The proprietary fund had assets contributed to the City of \$4,436,584
The City financed vehicles with capital leases of \$25,332
The City removed bond costs previously amortized at \$432,596

HERRIMAN CITY

Notes to the Financial Statements Fiscal Year Ended June 30, 2013

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 position 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 position, 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 position, and changes to net current assets, in the statement of activities. The flow of economic resources measurement focus shows total position and liabilities on the statement of net position, and changes to net position, 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 two major governmental funds: (1) the general fund, (2) the town center special revenue fund. The general fund is the main operating fund. It accounts for all financial resources of the general government except for those required to be accounted for in another fund. The special revenue funds account for impact fee revenue and the construction of projects financed with impact fees and construction bonds. These constructed or improved capital assets are for the benefit of any or all governmental funds. In addition to the listed major governmental funds, the City also has a total of ten 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) debt service fund, (9) the public safety fund, and (10) the Herriman Parkway 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 position) 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, 2013. 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, 2013, 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 provides 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. The Local governmental contributory system employer contribution is 10.330%. 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, 2013, 2012, and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Noncontributory employer contributions	\$ 3,365,894	\$ 3,070,644	\$ 2,675,415
Salary	538,039	415,178	386,939
Employer contributions			
Contributory employer contributions			
Salary	155,275	71,440	-
Employer contributions	13,292	5,422	-
401(k) Plan			
Employee contributions	144,435	108,630	94,686
Employer contributions	175,162	78,438	66,303
457 Plan			
Employee contributions	47,954	15,265	13,979
Employer contributions	7,021	10,507	9,031
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, 2013:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
Land	\$ 57,738,400	\$ 2,966,800	\$ -	\$ 60,705,200
Easements	6,172,564	51,500	-	6,224,064
Work in process	554,270	2,360,912	-	2,915,182
Total nondepreciated assets	<u>64,465,234</u>	<u>5,379,212</u>	<u>-</u>	<u>69,844,446</u>
Depreciated assets				
Buildings	6,238,620	-	-	6,238,620
Improvements	123,915,162	12,393,815	-	136,308,977
Equipment	2,495,676	92,515	-	2,588,191
Other Infrastructure	927,113	-	-	927,113
Vehicles	2,571,080	72,221	-	2,643,301
Total depreciated assets	<u>136,147,651</u>	<u>12,558,551</u>	<u>-</u>	<u>148,706,202</u>
Less accumulated depreciation				
Buildings	(1,510,351)	(199,497)	-	(1,709,848)
Improvements	(33,101,705)	(8,072,271)	-	(41,173,976)
Equipment	(1,757,029)	(149,105)	-	(1,906,134)
Other Infrastructure	(287,290)	(48,547)	-	(335,837)
Vehicles	(2,355,184)	(122,381)	-	(2,477,565)
Total accumulated depreciation	<u>(39,011,559)</u>	<u>(8,591,801)</u>	<u>-</u>	<u>(47,603,360)</u>
Net assets depreciated	<u>97,136,092</u>	<u>3,966,750</u>	<u>-</u>	<u>101,102,842</u>
Total governmental activities	<u>161,601,326</u>	<u>9,345,962</u>	<u>-</u>	<u>170,947,288</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,457,212	553,807	(113,229)	1,897,790
Water rights	7,799,133	1,056,082	-	8,855,215
Work in process	229,713	870,508	-	1,100,221
Total nondepreciated assets	<u>9,486,058</u>	<u>2,480,397</u>	<u>(113,229)</u>	<u>11,853,226</u>
Depreciated assets				
Vehicles	349,985	25,332	-	375,317
Buildings	58,400	-	-	58,400
Improvements	55,633,206	4,623,077	-	60,256,283
Equipment	653,415	-	-	653,415
Total depreciated assets	<u>56,695,006</u>	<u>4,648,409</u>	<u>-</u>	<u>61,343,415</u>
Less accumulated depreciation				
Vehicles	(298,089)	(18,540)	-	(316,629)
Buildings	(10,463)	(1,460)	-	(11,923)
Improvements	(9,109,707)	(1,991,862)	-	(11,101,569)
Equipment	(430,484)	(35,101)	-	(465,585)
Total accumulated depreciation	<u>(9,848,743)</u>	<u>(2,046,963)</u>	<u>-</u>	<u>(11,895,706)</u>
Net assets depreciated	<u>46,846,263</u>	<u>2,601,446</u>	<u>-</u>	<u>49,447,709</u>
Total business-type assets	<u>56,332,321</u>	<u>5,081,843</u>	<u>(113,229)</u>	<u>61,300,935</u>
Total combined assets	<u>\$ 217,933,647</u>	<u>\$ 14,427,805</u>	<u>\$ (113,229)</u>	<u>\$ 232,248,223</u>

	<u>Governmental Types</u>	<u>Business Types</u>	<u>Totals</u>
<u>DEPRECIATION EXPENSE</u>			
FUNCTION			
General government	\$ 3,079,716	\$ -	\$ 3,079,716
Highway and streets	4,001,725	-	4,001,725
Cemetery	15,286	-	15,286
Engineering	-	-	-
Parks	765,013	-	765,013
Public safety	16,150	-	16,150
Flood control	713,911	-	713,911
Water	-	2,046,963	2,046,963
	<u>-</u>	<u>2,046,963</u>	<u>2,046,963</u>
Totals	<u>\$ 8,591,801</u>	<u>\$ 2,046,963</u>	<u>\$ 10,638,764</u>

4. INTERFUND TRANSFERS

Interfund transfers are outlined as follows:

<u>Funds</u>	<u>In</u>	<u>Out</u>
General fund	\$ -	\$ 841,284
Roads special revenue	-	63,000
Towne Center	75,843	-
Street light special revenue	63,000	-
Capital improvements	765,441	-
	<u>765,441</u>	<u>-</u>
Total funds	<u>\$ 904,284</u>	<u>\$ 904,284</u>

The purpose of the transfers to the capital improvements was to provide for operation of the fund. The transfer to the street light 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, 2013, are comprised of the following individual issues:

<u>Bonds payable</u>	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>	<u>Due within One Year</u>
GOVERNMENTAL ACTIVITIES					
Sales and franchise tax revenue bonds series 2008. Original issue \$7,850,000 with interest from 2.8% to 5.7%. The bonds are secured by Sales and franchise taxes and mature in 2044	\$ 7,650,000	\$ -	\$ 200,000	\$ 7,450,000	\$ 200,000 ✓
SSA bond with interest from 3% to 5% due in November 2029 secured by property owned by individuals in the special assessment area	17,625,000	-	1,675,000	15,950,000	710,000 ✓
Bond discount	(219,870)	-	(12,097)	(207,773)	(12,097)
Total bonds governmental	<u>25,055,130</u>	<u>-</u>	<u>1,862,903</u>	<u>23,192,227</u>	<u>897,903</u>
BUSINESS TYPE ACTIVITIES					
Series 2003 water revenue bonds original issue was \$3,600,000 with interest at 1.9%. The bonds are secured by water revenues and mature in 2024	2,316,000	-	174,000	2,142,000	177,000
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	73,000	-	73,000	-	-
BAN 2012 series due July 2014 with an interest rate of 1.5%	-	4,415,000	-	4,415,000 ✓	-
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	6,330,000	-	245,000	6,085,000	250,000 ✓
Herriman City water revenue and refunding bonds series 2007. The bonds bear interest at 4% and mature in 2033	9,260,000	-	145,000	9,115,000	225,000 ✓
Premium	182,291	-	5,702	176,589	-
Total business long term debt	<u>18,161,291</u>	<u>4,415,000</u>	<u>642,702</u>	<u>21,933,589</u>	<u>652,000</u>
Total bonds payable	<u>\$ 43,216,421</u>	<u>\$ 4,415,000</u>	<u>\$ 2,505,605</u>	<u>\$ 45,125,816</u>	<u>\$ 1,549,903</u>
GOVERNMENTAL ACTIVITIES, OTHER LIABILITIES					
Compensated absences	\$ 300,820	\$ -	\$ 9,494	\$ 291,326	\$ -
Capital leases	91,481	47,289	44,747	94,023	62,071
Other obligations	-	300,000	-	300,000	-
BUSINESS, OTHER LIABILITIES					
Compensated absences	47,102	5,930	-	53,032	-
Capital leases	27,309	25,332	19,515	33,126	16,055
Purchase agreement	603,738	-	-	603,738	-

The annual debt requirement to maturity, including principal and interest as of June 30, 2013, for the business fund is listed in the following table:

Series 2003A Revenue Bonds			
<u>Year Ending 30-Jun</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
2014	1.86%	\$ 177,000	\$ 39,841
2015	1.86%	181,000	36,549
2016	1.86%	184,000	33,182
2017	1.86%	187,000	29,760
2018	1.86%	191,000	26,282
2019-2022	1.86%	1,009,000	76,837
2023-2027	1.86%	213,000	3,962
Totals		\$ 2,142,000	\$ 246,413

The annual debt requirement to maturity, including principal and interest as of June 30, 2013, for the governmental funds is listed in the following tables:

Series 2007 Water Revenue		
<u>Year Ending 30-Jun</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 225,000	\$ 398,275
2015	230,000	389,175
2016	240,000	379,775
2017	250,000	364,974
2018	260,000	354,574
2019-2022	550,000	1,336,700
2023-2027	3,025,000	1,354,276
2028-2032	4,335,000	753,973
Totals	\$ 9,115,000	\$ 5,331,722

Series 2008		
Sales and Franchise Tax bond		
Year Ending 30-Jun	Principal	Interest
2014	\$ 200,000	\$ 368,196
2015	225,000	360,452
2016	225,000	356,458
2017	240,000	342,358
2018	250,000	331,633
2019-2023	1,460,000	141,951
42023-2028	1,855,000	1,077,331
2029-2033	2,425,000	514,847
2034-2038	570,000	16,245
Totals	\$ 7,450,000	\$ 3,509,471

Series 2010		
SSA Bond		
Year Ending 30-Jun	Principal	Interest
2014	\$ 710,000	\$ 714,998
2015	730,000	693,032
2016	755,000	668,505
2017	780,000	640,667
2018	810,000	609,437
2019-2023	4,585,000	2,487,638
2024-2028	4,805,000	1,267,239
2029-2033	2,775,000	140,375
Totals	\$ 15,950,000	\$ 7,221,891

Series 2011		
Water Revenue Bonds		
Year Ending 30-Jun	Principal	Interest
2014	\$ 250,000	\$ 116,757
2015	255,000	113,007
2016	270,000	107,907
2017	275,000	103,857
2018	-	99,732
2019-2023	1,510,000	430,411
2024-2028	3,525,000	156,203
2029-2033	-	-
Totals	\$ 6,085,000	\$ 1,127,874

Year Ending 30-Jun	Water Revenue Bonds	
	Principal	Interest
2014	\$ -	\$ 33,113
2015	4,415,000	33,113
Totals	\$ 4,415,000	\$ 66,226

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, 2013, are classified in the accompanying financial statements as follows:

Statement of net position	
Cash and cash equivalents	\$ 15,792,318

Cash investments and cash equivalents as of June 30, 2013, consist of the following:

Deposits with financial institutions	\$ 822,028
Petty cash	350
Investments, state treasurer	14,969,940
Total cash and cash equivalents	\$ 15,792,318

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, 2013, the City had the following investments and maturities:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1 Year	More Than 1, Less Than 10 Years	More Than 10 Years
State of Utah Public Treasurer investment fund	\$ 14,969,940	\$ 14,969,940	\$ -	\$ -
Total investments	\$ 14,969,940	\$ 14,969,940	\$ -	\$ -

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, 2013, 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, 2013, \$250,000 of the \$822,028 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk Investments

For an investment, this is the risk that, in the event of the failure if the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer Investment Fund has no custodial credit risk.

8. RESERVED FUND BALANCES

The City records 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	\$ 920	\$ -	\$ 920
Special revenue, street signs	56,410	-	56,410
Special revenue, park impact fees	370,905	-	370,905
Special revenue, flood control	235,990	-	235,990
Special revenue, road impact fees	32	-	32
Mayor Crane special revenue fund	639	-	639
Debt service	369	-	369
Special revenue, public safety	32,934	-	32,934
Capital improvements fund	341,688	-	341,688
Towne center debt service	1,746,364	-	1,746,364
Towne center projects	2,500	-	2,500
General other restrictions	87,773	-	-
Herriman Parkway	43,959	-	43,959
Bond reserve funds	-	452,274	452,274
Water impact fees	-	2,226,207	2,226,207
Totals	<u>\$ 2,920,483</u>	<u>\$ 2,678,481</u>	<u>\$ 5,598,964</u>

9. INTEREST EXPENSE

The proprietary fund incurred \$846,076 in interest expense of which \$846,076 was charged to expense and \$0 was capitalized.

10. RESTRICTED CASH

The City has restricted cash of \$1,000,439 for impact fees, and \$2,136,805 for debt service in the governmental funds and \$88,412 for other restrictions. The City has \$2,226,207 for impact fees and \$4,845,432 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, 2013, 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 fixed assets as contributions of \$4,436,584, vehicles lease with capital leases of \$25,332, and write off of bond cost of \$432,596.

16. OBLIGATION UNDER CAPITAL LEASE

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

Capital lease for equipment during the year ended June 30, 2013, was \$49,580. 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, 2013. Capital leases for the business funds are as follows:

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2014	\$ 16,709
June 30, 2015	8,691
June 30, 2016	8,691
June 30, 2017	-
Thereafter	-
Totals	<u>34,091</u>
Less amounts representing interest	<u>(964)</u>
Present value	33,127
Less current portion	<u>(16,055)</u>
Long term	<u>\$ 17,072</u>

The depreciation expense from these assets was \$4,850 in 2013. 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, 2013, was \$264,432. The City has an option of paying off the leases before the leases expire.

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2013.

<u>Year Ending June 30</u>	<u>Lease Payments</u>
June 30, 2014	\$ 66,820
June 30, 2015	16,141
June 30, 2016	16,141
June 30, 2017	-
Thereafter	-
Totals	<u>99,102</u>
Less amounts representing interest	<u>(5,079)</u>
Present value	94,023
Less current portion	<u>(62,071)</u>
Long term	<u>\$ 31,952</u>

17. NEWLY ISSUED ACCOUNTING STANDARDS

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

- GASB 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53
- GASB 65 Items Previously Reported as Assets and Liabilities
- GASB 66 Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62
- GASB 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25

GASB 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27
GASB 69 Government Combinations and Disposals of Government Operations
GASB 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB statements 67 and 68 will impact the financial statements for the unfunded pension liability that will be reported on the financial statements. The liability is the difference between what is actuarially required and what is contributed. The expenses will also show a new measure of the pension expense. The amounts that will impact the financial statements have not been determined for the current year. The other statements will not have a material effect on the financial statements.

18. COMPLIANCE

The City has over spent the budget in the town center special revenue fund.

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 position. 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, 2013.

21. SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 29, 2013, the date which the financial statements were available to be issued.

22. PRIOR PERIOD ADJUSTMETNS

The *Government Accounting Standards Board* issued statement 64 that requires all bond costs be expensed as incurred. The prior period adjustment is expensing bond costs that were amortized in previous years. The change to expensing the bond costs rather than amortizing them is a change in accounting principle.

23. SOCIAL SECURITY

The City has made an election not to participate in the Social Security System. As part of the election not to participate, the City has amended tax forms and received refund payments previously made to the system. The financial statements show a receivable from the Social Security System and a liability to reimbursement employees for social security collected from the Social Security System.

REQUIRED SUPPLEMENTARY INFORMATION

HERRIMAN CITY

Budgetary Comparison Schedule General Fund Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual Amounts	Favorable
	Original	Changes	Final	Budgetary	(Unfavorable) Variance with
				Basis	Final Budget
REVENUES					
General property taxes	\$ 505,000	\$ (10,788)	\$ 494,212	\$ 497,403	\$ 3,191
Sales, use, and excise taxes	2,405,000	(67,537)	2,337,463	2,637,415	299,952
Franchise taxes	1,190,000	11,541	1,201,541	1,043,846	(157,695)
Licenses	41,000	7,243	48,243	49,737	1,494
Permits	2,709,457	1,094,262	3,803,719	3,446,303	(357,416)
Interest	16,800	13,007	29,807	29,774	(33)
Intergovernmental	861,250	2,188	863,438	797,757	(65,681)
Fines	160,000	9,300	169,300	157,179	(12,121)
Charges for services	484,670	29,192	513,862	776,275	262,413
Grants	2,000	-	2,000	86,454	86,454
Contributions	-	-	-	661	661
Miscellaneous	241,050	223,167	464,217	59,380	(404,837)
Total revenues	8,616,227	1,311,575	9,927,802	9,584,184	(343,618)
EXPENDITURES					
Administrative	1,478,494	190,888	1,669,382	1,502,331	167,051
Facilities	237,849	42,631	280,480	246,683	33,797
Information technology	671,013	65,680	736,693	734,240	2,453
Highways and streets	876,286	(3,335)	872,951	755,823	117,128
Street lights	372,110	31,328	403,438	347,845	55,593
Storm drain maintenance	238,593	(8,313)	230,280	165,693	64,587
Street signs	118,361	300	118,661	76,762	41,899
Cemetery	42,607	(4,230)	38,377	32,131	6,246
Public safety	225,156	82,808	307,964	299,738	8,226
Parks and recreation	1,466,719	127,460	1,594,179	1,329,239	264,940
Community affairs	842,561	32,099	874,660	832,497	42,163
Engineering	677,492	115,947	793,439	716,330	77,109
Fleet management	174,267	5,185	179,452	158,799	20,653
Human resources	251,354	7,203	258,557	243,350	15,207
Community development	737,829	95,403	833,232	752,936	80,296
Debt service	287,536	128,298	415,834	415,317	517
Total expenditures	8,698,227	909,352	9,607,579	8,609,714	997,865
expenditures (usage of fund balance)	(82,000)	402,223	320,223	974,470	654,247
OTHER FINANCING SOURCES					
Lease proceeds	82,000	(82,000)	-	47,334	-
Transfers out	-	-	-	(841,284)	(841,284)
Transfers in	-	-	-	-	-
Total other financing sources	82,000	(82,000)	-	(793,950)	(841,284)
Net change in fund balance	-	320,223	320,223	180,520	(187,037)
FUND BALANCE, JULY 1, 2012	1,486,741	1,486,741	1,486,741	1,486,741	-
FUND BALANCE, JUNE 30, 2013	\$ 1,486,741	\$ 1,806,964	\$ 1,806,964	\$ 1,667,261	\$ (187,037)

HERRIMAN CITY

Budgetary Comparison Schedule Public Safety Special Revenue Fund Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ 7,608	\$ 7,608
Total revenues	-	-	-	7,608	7,608
EXPENDITURES					
Public Safety		86,848	86,848	66,420	20,428
Total expenditures	-	86,848	86,848	66,420	20,428
Excess of revenues over expenditures (usage of fund balance)	-	(86,848)	(86,848)	(58,812)	28,036
OTHER FINANCES SOURCES (USES)					
Transfers in		-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	-	(86,848)	(86,848)	(58,812)	28,036
FUND BALANCE, JULY 1, 2012	91,746	91,746	91,746	91,746	-
FUND BALANCE, JUNE 30, 2013	\$ 91,746	\$ 4,898	\$ 4,898	\$ 32,934	\$ 28,036

HERRIMAN CITY

**Budgetary Comparison Schedule
Towne Center Special Revenue Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -	\$ 83,641	\$ 83,641
Contributions	-	-	-	1,375,157	1,375,157
Charges for services	44,000	2,861,463	2,905,463	536,409	(2,369,054)
Other	-	-	-	83,971	-
Interest	-	-	-	13,852	13,852
Total revenues	<u>44,000</u>	<u>2,861,463</u>	<u>2,905,463</u>	<u>2,093,030</u>	<u>(896,404)</u>
EXPENDITURES					
Capital outlay	44,000	1,157,852	1,201,852	383,754	818,098
Principal	-	1,157,493	1,157,493	1,675,000	(517,507)
Interest	-	790,000	790,000	729,211	60,789
Total expenditures	<u>44,000</u>	<u>3,105,345</u>	<u>3,149,345</u>	<u>2,787,965</u>	<u>361,380</u>
Excess of revenues over expenditures (usage of fund balance)	-	(243,882)	(243,882)	(694,935)	(535,024)
OTHER FINANCES SOURCES (USES)					
Bond Proceeds	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(243,882)	(243,882)	(619,092)	(535,024)
FUND BALANCE, JULY 1, 2012	<u>2,367,956</u>	<u>2,367,956</u>	<u>2,367,956</u>	<u>2,367,956</u>	-
FUND BALANCE, JUNE 30, 2013	<u>\$ 2,367,956</u>	<u>\$ 2,124,074</u>	<u>\$ 2,124,074</u>	<u>\$ 1,748,864</u>	<u>\$ (535,024)</u>

SUPPLEMENTARY INFORMATION

HERRIMAN CITY

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	✓ Parks Special Revenue	✓ Flood Control Special Revenue	✓ Capital Improvements	✓ Roads Special Revenue	✓ Street Signs Special Revenue	✓ Street Lights Special Revenue	✓ Mayor Crane Special Revenue	✓ Special Revenue Parkway	✓ Special Revenue Public Safety	✓ Debt Service	Totals
ASSETS											
Cash, unrestricted	\$ -	\$ -	\$ 35,315	\$ 18,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369	\$ 53,695
Cash, restricted	593,376	270,445	341,689	43,879	57,824	1,920	639	46,252	32,995	-	1,389,019
Total assets	\$ 593,376	\$ 270,445	\$ 377,004	\$ 61,890	\$ 57,824	\$ 1,920	\$ 639	\$ 46,252	\$ 32,995	\$ 369	\$ 1,442,714
LIABILITIES											
Accounts payable	\$ 222,471	\$ 34,455	\$ 35,316	\$ 61,858	\$ 1,414	\$ 1,000	\$ -	\$ 2,293	\$ 61	\$ -	\$ 358,868
Total liabilities	222,471	34,455	35,316	61,858	1,414	1,000	-	2,293	61	-	358,868
Fund balances											
Assigned	-	-	-	-	-	-	-	-	-	-	-
Restricted bond sinking fund	-	-	341,688	-	-	-	-	-	-	-	341,688
Restricted	370,905	235,990	-	32	56,410	920	639	43,959	32,934	369	742,158
Total fund balance	370,905	235,990	341,688	32	56,410	920	639	43,959	32,934	369	1,083,846
Total liabilities and fund balance	\$ 593,376	\$ 270,445	\$ 377,004	\$ 61,890	\$ 57,824	\$ 1,920	\$ 639	\$ 46,252	\$ 32,995	\$ 369	\$ 1,442,714

HERRIMAN CITY

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2013

	Parks Special Revenue	Flood Control Special Revenue	Capital Improvements	Roads Special Revenue	Street Signs Special Revenue	Street Lights Special Revenue	Mayor Crane Special Revenue	Special Revenue Parkway	Special Revenue Public Safety	Debt Service	Totals
REVENUES											
Impact fees	\$ 850,179	\$ 314,829	\$ -	\$ 763,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,928,265
Interest	377	2,415	-	1,003	-	-	4	-	-	127	3,926
Charges for services	2,205	-	18,924	-	60,956	167,945	-	-	7,608	-	257,638
Sale of assets	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	1,538,780	-	-	1,538,780
Total revenues	852,761	317,244	18,924	764,260	60,956	167,945	4	1,536,780	7,608	127	3,726,609
EXPENDITURES											
Capital outlay	888,512	137,383	711,645	837,209	23,874	280,786	-	1,552,526	-	-	4,431,935
Public safety	-	-	-	-	-	-	-	-	66,420	-	66,420
Debt service	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	231,953	-	-	-	-	-	-	231,953
Total expenditures	888,512	137,383	711,645	1,069,162	23,874	280,786	-	1,552,526	66,420	-	4,730,308
Revenues over (under) expenditures	(35,751)	179,861	(692,721)	(304,902)	37,082	(112,841)	4	(15,746)	(58,812)	127	(1,003,689)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	-	-	765,441	-	-	63,000	-	-	-	-	828,441
Operating transfers out	-	-	-	(63,000)	-	-	-	-	-	-	(63,000)
Total other financing sources (uses)	-	-	765,441	(63,000)	-	63,000	-	-	-	-	765,441
Revenues and other sources over expenditures and other uses	(35,751)	179,861	72,720	(367,902)	37,082	(49,841)	4	(15,746)	(58,812)	127	(238,258)
FUND BALANCE, JULY 1, 2012	406,656	56,128	268,968	387,934	19,328	50,761	635	59,705	91,746	242	1,322,104
FUND BALANCE, JUNE 30, 2013	\$ 370,905	\$ 235,990	\$ 341,688	\$ 32	\$ 56,410	\$ 920	\$ 639	\$ 43,959	\$ 32,934	\$ 369	\$ 1,083,846

HERRIMAN CITY

**Budgetary Comparison Schedule
Parks Special Revenue Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ 639,450	\$ -	\$ 1,219,500	\$ 850,179	\$ (369,321)
Interest	500	-	500	377	(123)
Charges for services	-	-	-	2,205	2,205
Total revenues	<u>639,950</u>	<u>-</u>	<u>1,220,000</u>	<u>852,761</u>	<u>(367,239)</u>
EXPENDITURES					
Capital outlay	270,000	703,239	973,239	888,512	84,727
Total expenditures	<u>270,000</u>	<u>703,239</u>	<u>973,239</u>	<u>888,512</u>	<u>84,727</u>
Excess revenues over expenditures	369,950	(123,189)	246,761	(35,751)	(282,512)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	369,950	(123,189)	246,761	(35,751)	(282,512)
FUND BALANCE, JULY 1, 2012	<u>406,656</u>	<u>406,656</u>	<u>406,656</u>	<u>406,656</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 776,606</u>	<u>\$ 283,467</u>	<u>\$ 653,417</u>	<u>\$ 370,905</u>	<u>\$ (282,512)</u>

HERRIMAN CITY

**Budgetary Comparison Schedule
Flood Control Special Revenue Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ 85,000	\$ 219,931	\$ 304,931	\$ 314,829	\$ 9,898
Interest	125	-	125	2,415	2,290
Total revenues	<u>85,125</u>	<u>219,931</u>	<u>305,056</u>	<u>317,244</u>	<u>12,188</u>
EXPENDITURES					
Capital outlay	64,412	105,812	170,224	137,383	32,841
Total expenditures	<u>64,412</u>	<u>105,812</u>	<u>170,224</u>	<u>137,383</u>	<u>32,841</u>
Excess revenues over expenditures	20,713	114,119	134,832	179,861	45,029
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	20,713	114,119	134,832	179,861	45,029
FUND BALANCE, JULY 1, 2012	<u>56,129</u>	<u>56,129</u>	<u>56,129</u>	<u>56,129</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 76,842</u>	<u>\$ 170,248</u>	<u>\$ 190,961</u>	<u>\$ 235,990</u>	<u>\$ 45,029</u>

HERRIMAN CITY

Budgetary Comparison Schedule Herriman Parkway Special Revenue Fund Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Changes	Final		
REVENUES					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Other	44,000	-	44,000	1,536,780	1,492,780
Total revenues	<u>44,000</u>	<u>-</u>	<u>44,000</u>	<u>1,536,780</u>	<u>1,492,780</u>
EXPENDITURES					
Capital Outlay	44,000	-	44,000	1,552,526	(1,508,526)
Total expenditures	<u>44,000</u>	<u>-</u>	<u>44,000</u>	<u>1,552,526</u>	<u>(1,508,526)</u>
Excess of revenues over expenditures (usage of fund balance)	-	-	-	(15,746)	(15,746)
Net change in fund balance	-	-	-	(15,746)	(15,746)
FUND BALANCE, JULY 1, 2012	59,705	59,705	59,705	59,705	-
FUND BALANCE, JUNE 30, 2013	<u>\$ 59,705</u>	<u>\$ 59,705</u>	<u>\$ 59,705</u>	<u>\$ 43,959</u>	<u>\$ (15,746)</u>

HERRIMAN CITY

**Budgetary Comparison Schedule
Roads Special Revenue Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ 525	\$ 431	\$ 956	\$ 1,003	\$ 47
Charges for services	-	-	-	-	-
Impact fees	609,000	175,799	784,799	763,257	(21,542)
Total revenues	609,525	176,230	785,755	764,260	(21,495)
Expenditures					
Capital outlay	511,000	391,928	902,928	837,209	65,719
Debt service					
Interest	-	250,000	250,000	231,953	18,047
Total expenditures	511,000	641,928	1,152,928	1,069,162	83,766
Excess of revenues over expenditures	98,525	(465,698)	(367,173)	(304,902)	(105,261)
Transfers out	-	-	-	(63,000)	-
Net change in fund balance	98,525	(465,698)	(367,173)	(367,902)	(105,261)
FUND BALANCE, JULY 1, 2012	367,934	367,934	367,934	367,934	-
FUND BALANCE, JUNE 30, 2013	\$ 466,459	\$ (97,764)	\$ 761	\$ 32	\$ (105,261)

HERRIMAN CITY

**Budgetary Comparison Schedule
Street Signs Special Revenue Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 17,500	\$ 39,557	\$ 57,057	\$ 60,956	\$ 3,899
Total revenues	17,500	39,557	57,057	60,956	3,899
EXPENDITURES					
Capital outlay	14,500	42,557	57,057	23,874	33,183
Total expenditures	14,500	42,557	57,057	23,874	33,183
Excess of revenues over expenditures (usage of fund balance)	3,000	(3,000)	-	37,082	37,082
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	3,000	(3,000)	-	37,082	37,082
FUND BALANCE, JULY 1, 2012	19,328	19,328	19,325	19,328	3
FUND BALANCE, JUNE 30, 2013	\$ 22,328	\$ 16,328	\$ 19,325	\$ 56,410	-\$ 37,085

HERRIMAN CITY

Budgetary Comparison Schedule Street Lights Special Revenue Fund Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget changes	Final		
REVENUES					
Charges for services	\$ 75,000	\$ 206,433	\$ 281,433	\$ 167,945	\$ (113,488)
Interest	-	-	-	-	-
Total revenues	<u>75,000</u>	<u>206,433</u>	<u>281,433</u>	<u>167,945</u>	<u>(113,488)</u>
EXPENDITURES					
Capital outlay	64,300	217,133	281,433	280,786	647
Total expenditures	<u>64,300</u>	<u>217,133</u>	<u>281,433</u>	<u>280,786</u>	<u>647</u>
Excess of revenues over expenditures (usage of fund balance)	<u>10,700</u>	<u>(10,700)</u>	<u>-</u>	<u>(112,841)</u>	<u>(112,841)</u>
OTHER FINANCES SOURCES (USES)					
Transfers in	-	-	-	63,000	63,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,000</u>	<u>63,000</u>
Net change in fund balance	10,700	(10,700)	-	(49,841)	(49,841)
FUND BALANCE, JULY 1, 2012	<u>50,761</u>	<u>50,761</u>	<u>50,761</u>	<u>50,761</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ 61,461</u>	<u>\$ 40,061</u>	<u>\$ 50,761</u>	<u>\$ 920</u>	<u>\$ (49,841)</u>

HERRIMAN CITY

**Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Interest	\$ -	\$ -	\$ -	\$ 127	\$ 127
Total revenues	-	-	-	127	127
EXPENDITURES					
Debt service	-	-	-	-	-
General Government	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess revenues over expenditures	-	-	-	127	127
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	-
Revenue and other sources over (under) expenditures and other uses	-	-	-	127	127
FUND BALANCE, JULY 1, 2012	-	-	-	242	242
FUND BALANCE, JUNE 30, 2013	\$ -	\$ -	\$ -	\$ 369	\$ 369

HERRIMAN CITY

Budgetary Comparison Schedule Capital Improvement Fund Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ 18,924	\$ 18,924
Intergovernmental	-	-	-	-	-
Contributions	-	-	-	-	-
Interest income	-	161	161	-	(161)
Miscellaneous	-	178,382	178,382	-	(178,382)
Total revenues	-	178,543	178,543	18,924	(159,619)
EXPENDITURES					
Capital outlay	-	1,022,626	1,022,626	711,645	310,981
Total expenditures	-	1,022,626	1,022,626	711,645	310,981
Excess of revenues over expenditures (usage of fund balance)	-	(844,083)	(844,083)	(692,721)	151,362
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Transfers out	-	-	-	-	-
Transfers in	-	736,000	736,000	765,441	29,441
Total other financing sources	-	736,000	736,000	765,441	29,441
Net change in fund balance	-	(108,083)	(108,083)	72,720	180,803
FUND BALANCE, JULY 1, 2012	268,968	268,968	268,968	268,968	-
FUND BALANCE, JUNE 30, 2013	\$ 268,968	\$ 160,885	\$ 160,885	\$ 341,688	\$ 180,803

HERRIMAN CITY

**Budgetary Comparison Schedule
 Mayor Crane Special Revenue Fund
 Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Budget Changes	Final		
REVENUES					
Impact fees	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	5	-	5	4	(1)
Total revenues	5	-	5	4	(1)
EXPENDITURES					
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	5	-	5	4	(1)
Net change in fund balance	5	-	5	4	(1)
FUND BALANCE, JULY 1, 2012	635	635	635	635	-
FUND BALANCE, JUNE 30, 2013	\$ 640	\$ 635	\$ 640	\$ 639	\$ (1)



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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

Honorable Mayor and City Council
 Herriman City
 Herriman, UT

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Herriman City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Herriman City's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Herriman City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Herriman City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 from 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

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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*.

Herriman City's Response to Findings

Herriman City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Herriman City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 12, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

Honorable Mayor and City Council
Herriman City
Herriman, UT

REPORT ON COMPLIANCE

We have audited Herriman City'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, 2013.

The general compliance requirements applicable to the City are identified as follows:

- Cash Management
- Budgetary Compliance
- Fund Balance
- Utah Retirement System Compliance
- Impact Fees
- Government Records Access Management Act
- Conflicts of Interest
- Nepotism
- Utah Public Finance Website
- Open & Public Meetings Act
- B & C Road Money

The City received the following major assistance programs from the State of Utah during the year ended June 30, 2013:

- B & C Road Money

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the City's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance 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 and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City and its major

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programs occurred. 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.

Opinion

In our opinion, Herriman City 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, 2013.

REPORT OF INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert & Stewart

GILBERT & STEWART
Certified Public Accountants
December 12, 2013