

**HIGHLAND CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2009**

# CITY OF HIGHLAND, UTAH

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2009

---

	<u>Starting on Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Activities	13
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Budgetary Comparison Schedule - General Fund	19
PROPRIETARY FUNDS	
Statement of Net Assets	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	21
Statement of Cash Flows	22
NOTES TO THE FINANCIAL STATEMENTS	24
SUPPLEMENTARY INFORMATION	
COMBINING FUND STATEMENTS	
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41

**CITY OF HIGHLAND, UTAH**  
**TABLE OF CONTENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

---

	<u>Starting on Page</u>
<b>STATE LEGAL COMPLIANCE REPORT</b>	
INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	42
<b>GOVERNMENT AUDITING STANDARDS REPORT</b>	
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	44

**GREG ODGEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801) 489-8408**

---

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

**October 28, 2009**

**Honorable Mayor  
Members of the City Council  
Highland City, Utah**

**Council Members:**

**I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.**

**I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.**

**In my 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 the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with *Government Auditing Standards*, I have also issued a report dated October 28, 2009 on my consideration of Highland City, Utah's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of my audit.**

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland City's basic financial statements. The combining nonmajor fund financial statements and the schedule of impact fees listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

 CPA  
Greg Ogden,  
Certified Public Accountant

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

The management of Highland City presents the following narrative and analysis of the financial statements and financial activities of Highland City as prescribed by the Government Accounting Standards Board (GASB). The information and analysis pertains to the fiscal year ended June 30, 2009.

### Financial Highlights

The assets of Highland City exceeded its liabilities at June 30, 2009 by \$126,701,954 (net assets). Of this amount \$3,178,923 (unrestricted net assets) may be used to meet the government's ongoing obligations.

Highland City's total net assets decreased by \$4,349,959. Elements of the decrease were: 1) Completion of the city buildings and park construction); 2) ongoing operations of the governmental activities; 3) ongoing operations of the business-type activities assets.

Highland City's governmental funds reported combined ending fund balances at June 30, 2009 of \$427,963, a decrease of \$7,675,988 in comparison to the prior year. Of the ending fund balances, \$424,371 is available for spending at the City's discretion (unreserved fund balance).

At June 30, 2009 unreserved fund balance of the general fund was \$756,016, or 11.8% of total general fund expenditures for the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Highland City's basic financial statements. Highland City's basic financial statements comprise three components; 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Highland City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Highland City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of changes in the financial position of the City.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes that have been levied but not received.

Both of the government-wide financial statements distinguish functions of Highland City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Highland City include general government, public safety, streets and public improvements, parks and recreation, cemetery and garbage. The business-type activities of Highland City include services for water, pressurized irrigation, sewer (sanitary), and storm sewer.

The government-wide financial statements include Highland City (known as the primary government) and a separate legal entity (known as component unit). The financial information for the Highland Open Space Special Service District is included in the financial statements. However, because the City's governing body is the same as the governing board of this component unit and can substantially control it, their financial information is blended and reported together with the financial information presented for the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Highland City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of Highland City can be divided into two categories; governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Highland City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and three capital projects funds, all of which are considered to be major funds. Data from the other three (3) governmental funds is provided in the form of individual and combining statements elsewhere in this report.

Highland City adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary funds. Highland City maintains one type of proprietary fund known as an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and pressurized irrigation combined, sewer, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, secondary water and storm sewer funds because they are considered to be major funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents combining statements referred to earlier in connection with non-major governmental funds. They are presented immediately following the notes to the financial statements. Auditor reports on compliance are also included at the end of the document.

## Government-wide Financial Analysis

As noted earlier, net assets is an indicator of a government's financial position. In the case of Highland City, assets exceeded liabilities by \$126,701,954 at the close of the fiscal year.

The largest portion of the City's net assets reflects its investment in capital assets (land, buildings, machinery and equipment) and infrastructure (roads, sidewalks, curb and gutter and various utility lines and storage facilities), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$3,178,923) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

### Highland City Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
Current and Other Assets	\$ 7,284,128	\$ 1,867,602	\$ 5,695,161	\$ 1,891,947
Capital Assets	\$ 90,259,219	\$ 51,437,001	\$ 90,721,285	\$ 49,971,561
Total Assets	\$ 97,543,347	\$ 53,304,603	\$ 96,416,446	\$ 51,863,508
Long-term Liabilities outstanding	\$ 13,541,661	\$ 4,037,716	\$ 13,115,656	\$ 4,450,722
Other Liabilities	\$ 1,642,572	\$ 574,088	\$ 3,541,533	\$ 470,089
Total Liabilities	\$ 15,184,233	\$ 4,611,804	\$ 16,657,189	\$ 4,920,811
Net assets:				
Investment in capital assets, net	\$ 72,909,693	\$ 46,075,451	\$ 77,937,516	\$ 45,537,933
Restricted	\$ 3,782,286	\$ 1,364,011	\$ 23,791	\$ 23,791
Unrestricted	\$ 5,667,135	\$ 1,253,337	\$ 1,797,950	\$ 1,380,973
Total net assets	\$ 82,359,114	\$ 48,692,799	\$ 79,759,257	\$ 46,942,697

## Highland City Changes in Net Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 2,004,342	\$ 2,427,668	\$ 2,005,499	\$3,422,856
Operating Grants and Contributions	\$ 7,915		\$ 8,280	
Capital Grants and Contributions	\$ 8,862,990	\$ 4,008,304	\$593,466	\$43,049
<b>General revenues:</b>				
Property and uniform vehicle taxes	\$ 1,800,821		\$ 1,886,618	
Other Taxes	\$ 2,570,914		\$ 2,363,170	
Other	\$ 897,443	\$ 202,959	\$949,686	\$ 44,569
<b>Total revenues</b>	<b>\$ 16,144,425</b>	<b>\$ 6,638,931</b>	<b>\$ 7,806,719</b>	<b>\$ 3,510,474</b>
<b>Expenses:</b>				
General government	\$ 2,390,964		\$ 2,561,046	
Public safety	\$ 2,239,545		\$ 2,451,594	
Streets and public improvements	\$3,621,898		\$ 3,707,540	
Parks and recreation	\$ 1,688,927		\$1,608,180	
Garbage	\$ 505,503		\$ 528,352	
Interest on long-term debt	\$ 509,207		\$ 569,871	
Cemetery	\$ 122,966		\$ 139,993	
Water		\$1,087,908		\$ 1,040,368
Secondary Water		\$1, 297,643		\$ 1,172,712
Storm sewer		\$ 280,598		\$ 343,412
Sewer		\$1,230,724		\$1,544,084
<b>Total expense</b>	<b>\$ 11,079,010</b>	<b>\$ 3,896,873</b>	<b>\$ 11,566,576</b>	<b>\$ 4,100,576</b>
<b>Decrease in net assets before transfers</b>	<b>\$ 5,065,415</b>	<b>\$ 2,742,058</b>	<b>\$(3,759,857)</b>	<b>\$ (590,102)</b>
Transfers	232,829	(232,829)	\$1,160,000	\$(1,160,000)
<b>Increase (decrease) in net assets</b>	<b>\$ 5,298,244</b>	<b>\$ 2,509,229</b>	<b>\$ (2,599,857)</b>	<b>\$ (1,750,102)</b>
Change in accounting method	\$30,463,564			
Net assets, beginning	\$46,597,306	\$ 46,183,570	\$ 82,359,114	\$ 48,692,799
<b>Net assets, ending</b>	<b>\$ 82,359,114</b>	<b>\$ 48,692,799</b>	<b>\$ 79,759,257</b>	<b>\$ 46,942,697</b>

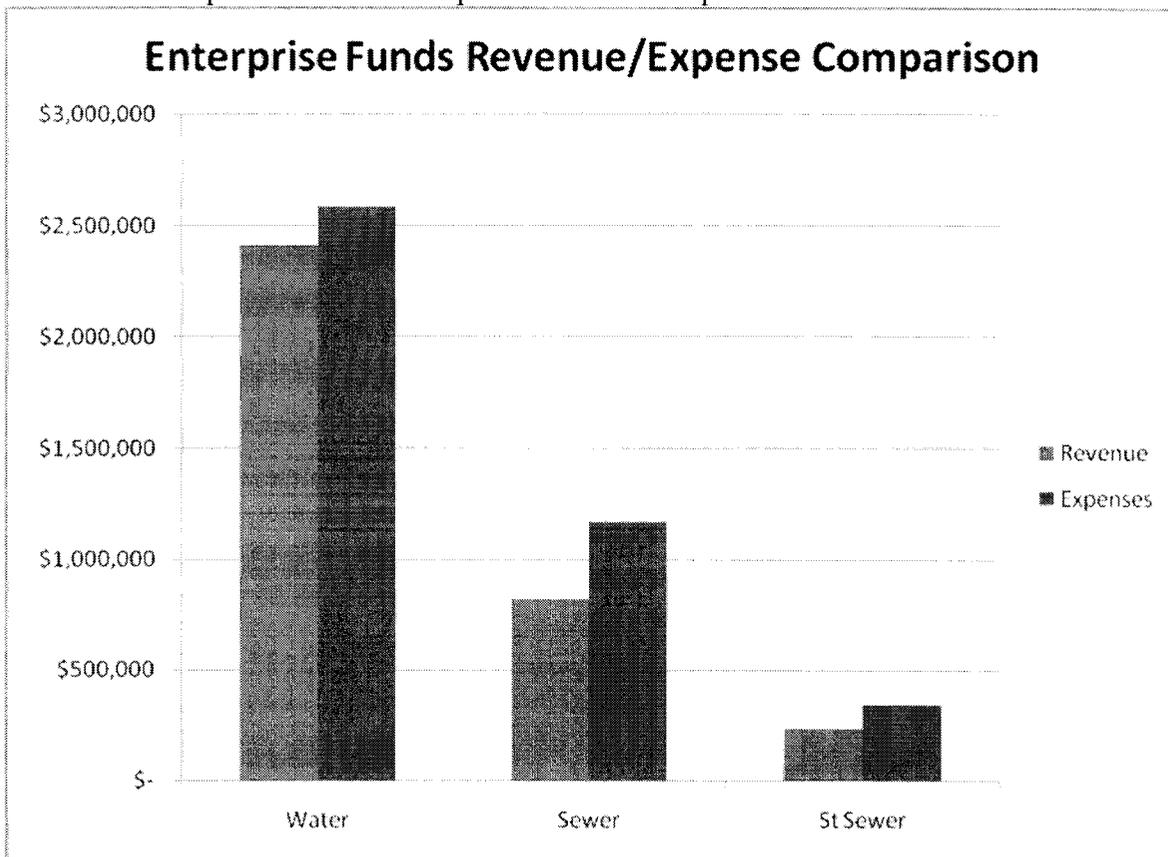
Governmental activities. As noted in the table above, governmental activities decreased the City's net assets by \$2,599,857. Key elements of the decrease were as follows:

1. Completion of new city buildings, road improvements, and park improvements.
2. Due to the economic slowdown revenues were down.

Business-type activities. As noted previously in the table “Highland City Changes in Net Assets,” business-type activities decreased the City’s net assets by \$1,750,102. Key elements of the increase were as follows:

1. Transfer to building capital project fund of \$1,160,000.
2. Sewer lift station constructed.
3. Purchase of additional water shares.

The following chart displays the business-type activities revenues compared to program expenses attributed to the activity. Traditionally business-type activities are self supporting and the chart depicts the relationship of revenues to expenses.



Operating Revenues and Expenses – Business-type Activities

Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance is a useful measure of the government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, the City's governmental funds reported combined ending fund balances of \$427,963, which was a decrease of \$7,675,988 in comparison with the prior year. Approximately 99% (\$424,371) of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The reserved fund balance is not available for new spending because it has already been committed.

The general fund is the main operating fund of the City. At June 30, 2009, unreserved fund balance of the general fund was \$756,016. A comparison of the unreserved fund balance and total fund balance to total general fund expenditures is a measure of liquidity. Unreserved fund balance represented 11.8% of total general fund expenditures. The City's unreserved general fund balance increased \$122,923 in the fiscal year ended June 30, 2009.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements in more detail.

Water fund-Unrestricted net assets at June 30, 2009 amounted to \$437,401, an increase of \$132,122 from the previous year. Operating revenues were \$2,401,813 and operating expenses were \$2,060,660.

Storm sewer fund –Operating revenues were \$232,524 and operating expenses were \$343,412.

Sewer fund – Unrestricted net assets at June 30, 2009 amounted to \$1,106,137, a decrease of \$22,967 from the previous year. Operating revenues were \$788,519 and operating expenses were \$1,172,712.

#### General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget was amended from \$6,935,198 (\$6,625,295 expenditures and \$400,000 transfers) to a final budget total of \$6,620,954 (\$6,630,695 expenditures, \$9,741 decrease in fund balance, and \$1,271,295 transfers and \$705,000 from the sale of land), a decrease of \$314,244. The budget was reduced due to a slowdown in building and related fees.

#### Capital Assets and Debt Administration

Capital Assets. Highland City's investment in capital assets from governmental and business-type activities as of June 30, 2009 was \$140,665,463 (net of accumulated

depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and water stock. The total increase in the City's investment in capital assets for the current year was \$4,422,093.

Major capital asset events during the current year included the following:

- 1) Park and road improvements.
- 2) Completion of the fire station, city hall and justice center.

### Highland City Capital Assets

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
Land	\$ 37,044,124	\$ 507,915	\$ 39,607,624	\$ 534,455
Water Shares		\$ 20,659,406		\$ 21,029,675
Construction in Progress	\$11,269,399	\$681,423	\$ 2,801,356	\$ 577,894
Buildings	\$1,517,515	\$ 1,157,289	\$ 14,006,832	\$ 1,157,289
Machinery and Equip	\$1,452,683	\$ 1,932,086	\$ 1,858,647	\$ 2,047,530
Infrastructure and Imp	\$63,555,051	\$ 31,626,967	\$ 64,544,654	\$ 32,214,435
Total	<u>\$ 114,838,772</u>	<u>\$ 56,565,086</u>	<u>\$ 122,819,113</u>	<u>\$ 57,561,278</u>
Less Accumulated Dep	\$ (28,668,392)	\$ (6,492,095)	\$ (32,101,420)	\$ (7,613,508)
Total net assets	<u>\$ 86,170,380</u>	<u>\$ 50,072,990</u>	<u>\$ 90,717,693</u>	<u>\$ 49,947,770</u>

Additional information on the City's capital assets is available in the notes to the financial statements.

Long-term debt. On June 30, 2009 the City had a total bonded debt outstanding of \$17,128,390. Of this amount \$4,433,390 was considered general obligation debt and was backed by the full faith and credit of the City.

### Highland City Outstanding Debt

	Governmental Activities 2008	Business-Type Activities 2008	Governmental Activities 2009	Business-Type Activities 2009
General obligation bonds		\$ 4,353,390		\$ 4,433,390
Revenue bonds	\$13,120,000		\$ 12,695,000	
Other Long Term Debt	\$ 554,366	\$ 40,177	\$ 546,376	\$ 40,885
Total	<u>\$13,674,366</u>	<u>\$ 4,393,567</u>	<u>\$ 13,241,376</u>	<u>\$ 4,474,275</u>

The City's total debt decreased by \$352,282 during the fiscal year as a result of scheduled principal payments.

The original Secondary water bonds are unrated. The bonds were originally issued in 1996 and were refinanced in 1998 and in 2009. The 2009 bonds are rated AA. The Revenue bonds issued in 2006 and 2007 are both AA- rated.

The Utah State Constitution limits the amount of general obligation debt a municipal government may issue at 4% of its total taxable property value of \$871,805,165, except cities of the third class (Highland City is classified as a third class city) may issue debt up to an additional 8% of its total taxable property value of \$871,805,165 for water systems, artificial lighting systems or sewer systems. On June 30, 2009 the City's limitation was \$34,872,207 and the current general obligation bonds are \$4,433,390 which would be under the limitation and the additional limitation was \$69,744,413.

#### Economic Factors and Next Year's Budgets and Rates

Economic trends of the state and region are better than the national indices but because of the dramatic slowdown in home construction and slowdown of the economy the related revenues were budgeted lower. These and other factors were considered in preparing Highland City's budget for the 2009-2010 fiscal year. We are hoping the economy will start to rebound in 2010.

During the current fiscal year, unreserved fund balance in the general fund increased by \$122,923. The general fund unreserved fund balance of \$756,016 represented 11.8% of general fund revenues which is within the range of 5% to 18% limit allowed by state law. Use of the fund balance was primarily for maintaining the level of funding for capital projects.

#### Request for Information

This financial report is designed to provide a general overview of Highland City's activities for those with an interest in the City's operations and position. Questions concerning the information provided in this report or requests for additional financial information should be addressed to: Highland City, Finance Director, 5400 W. Civic Center Drive, Suite #1, Highland, Utah 84003.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HIGHLAND, UTAH**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 772,345	\$ 1,627,951	\$ 2,400,296
Accounts Receivable, Net of Allowance for Uncollectibles	<u>4,922,816</u>	<u>263,996</u>	<u>5,186,812</u>
<b>TOTAL CURRENT ASSETS</b>	<u>5,695,161</u>	<u>1,891,947</u>	<u>7,587,108</u>
<b>NONCURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	3,592	23,791	27,383
<b>Capital Assets</b>			
Non Depreciable	42,408,980	22,142,024	64,551,004
Depreciable Assets (net of Depreciation)	<u>48,308,713</u>	<u>27,805,746</u>	<u>76,114,459</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>90,721,285</u>	<u>49,971,561</u>	<u>140,692,846</u>
<b>TOTAL ASSETS</b>	<u>96,416,446</u>	<u>51,863,508</u>	<u>148,279,954</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	1,486,340	470,089	1,956,429
Deferred Revenue	<u>2,055,193</u>	-	<u>2,055,193</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,541,533</u>	<u>470,089</u>	<u>4,011,622</u>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	615,201	295,885	911,086
Due in more than One Year	<u>12,500,455</u>	<u>4,154,837</u>	<u>16,655,292</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>13,115,656</u>	<u>4,450,722</u>	<u>17,566,378</u>
<b>TOTAL LIABILITIES</b>	<u>16,657,189</u>	<u>4,920,811</u>	<u>21,578,000</u>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	77,937,516	45,537,933	123,475,449
<b>Restricted for</b>			
Community Improvements	23,791	23,791	47,582
Unrestricted	<u>1,797,950</u>	<u>1,380,973</u>	<u>3,178,923</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 79,759,257</u>	<u>\$ 46,942,697</u>	<u>\$ 126,701,954</u>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities</b>				
General Government	\$ 2,561,046	\$ 201,678	\$ -	\$ -
Public Safety	2,451,594	723,713	8,280	4,985
Streets and Public Works	3,707,540	23,253	-	507,762
Parks and Recreation	1,608,180	298,550	-	80,719
Cemetery	139,993	189,530	-	-
Garbage	528,352	568,775	-	-
Interest on Long-Term Debt	569,871	-	-	-
<b>Total Governmental Activities</b>	<b>11,566,576</b>	<b>2,005,499</b>	<b>8,280</b>	<b>593,466</b>
<b>Business-type Activities</b>				
Water	1,040,368	688,439	-	-
Sewer	1,172,712	788,519	-	35,749
Secondary Water	1,544,084	1,713,374	-	7,300
Storm Sewer	343,412	232,524	-	-
<b>Total Business-type Activities</b>	<b>4,100,576</b>	<b>3,422,856</b>	<b>-</b>	<b>43,049</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 15,667,152</b>	<b>\$ 5,428,355</b>	<b>\$ 8,280</b>	<b>\$ 636,515</b>

General Revenues  
Property Taxes  
Vehicle Taxes  
Sales Taxes  
Franchise Taxes  
Unrestricted Investment Earnings  
Miscellaneous  
Special Item - Land Sale  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets - Beginning  
Net Assets - Ending

See the accompanying notes to the financial statements

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (2,359,368)	-	\$ (2,359,368)
(1,714,616)	-	(1,714,616)
(3,176,525)	-	(3,176,525)
(1,228,911)	-	(1,228,911)
49,537	-	49,537
40,423	-	40,423
<u>(569,871)</u>	<u>-</u>	<u>(569,871)</u>
<u>(8,959,331)</u>	<u>-</u>	<u>(8,959,331)</u>
-	(351,929)	(351,929)
-	(348,444)	(348,444)
-	176,590	176,590
<u>-</u>	<u>(110,888)</u>	<u>(110,888)</u>
<u>-</u>	<u>(634,671)</u>	<u>(634,671)</u>
<u>(8,959,331)</u>	<u>(634,671)</u>	<u>(9,594,002)</u>
1,714,656	-	1,714,656
171,962	-	171,962
1,486,793	-	1,486,793
876,377	-	876,377
95,697	44,569	140,266
147,739	-	147,739
706,250	-	706,250
<u>1,160,000</u>	<u>(1,160,000)</u>	<u>-</u>
<u>6,359,474</u>	<u>(1,115,431)</u>	<u>5,244,043</u>
(2,599,857)	(1,750,102)	(4,349,959)
<u>82,359,114</u>	<u>48,692,799</u>	<u>131,051,913</u>
<u>\$ 79,759,257</u>	<u>\$ 46,942,697</u>	<u>\$ 126,701,954</u>

# CITY OF HIGHLAND, UTAH

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2009

	Governmental-type Activities					Total Governmental Funds
	General	Capital Projects Parks	Capital Projects Roads	Capital Projects Building	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 405,776	\$ 366,569	\$ -	\$ -	\$ -	\$ 772,345
Accounts Receivable	97,865	-	631,584	-	28,146	757,595
Taxes Receivable	2,110,028	-	-	-	-	2,110,028
Exaction Fees Receivable	-	580,900	939,680	534,613	-	2,055,193
Due from Other Fund	691,553	-	-	-	-	691,553
Restricted Cash	-	-	-	-	3,592	3,592
<b>TOTAL ASSETS</b>	<b>\$ 3,305,222</b>	<b>\$ 947,469</b>	<b>\$ 1,571,264</b>	<b>\$ 534,613</b>	<b>\$ 31,738</b>	<b>\$ 6,390,306</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 403,598	\$ 605,561	\$ 53,221	\$ 7,609	\$ -	\$ 1,069,989
Due to Other Funds	-	-	364,551	267,361	59,641	691,553
Development Bonds Held	282,259	-	-	-	-	282,259
Deferred Revenue	1,754,393	580,900	939,680	534,613	-	3,809,586
Compensated Absences	108,956	-	-	-	-	108,956
<b>TOTAL LIABILITIES</b>	<b>2,549,206</b>	<b>1,186,461</b>	<b>1,357,452</b>	<b>809,583</b>	<b>59,641</b>	<b>5,962,343</b>
<b>FUND BALANCE</b>						
<b>Reserved</b>						
Impact Fees	-	-	-	-	-	-
Class C Roads	-	-	-	-	-	-
Debt Service	-	-	-	-	3,592	3,592
Unreserved	756,016	(238,992)	213,812	(274,970)	(31,495)	424,371
<b>TOTAL FUND EQUITY</b>	<b>756,016</b>	<b>(238,992)</b>	<b>213,812</b>	<b>(274,970)</b>	<b>(27,903)</b>	<b>427,963</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 3,305,222</b>	<b>\$ 947,469</b>	<b>\$ 1,571,264</b>	<b>\$ 534,613</b>	<b>\$ 31,738</b>	<b>\$ 6,390,306</b>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

---

**TOTAL GOVERNMENTAL FUNDS BALANCES** **\$ 427,963**

*Amounts reported for governmental activities in the statement of net assets are different because*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 90,717,693

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,754,393

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (13,140,792)

**TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 79,759,257**

See the accompanying notes to the financial statements

# CITY OF HIGHLAND, UTAH

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009

	Governmental-type Activities					Total Governmental Funds
	General	Capital Projects Parks	Capital Projects Roads	Capital Projects Building	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Taxes	\$ 4,170,243	\$ -	\$ -	\$ -	\$ -	\$ 4,170,243
Licenses and Permits	138,152	-	-	-	-	138,152
Intergovernmental	506,596	-	-	-	-	506,596
Charges for Services	1,335,457	-	20,003	-	235,026	1,590,486
Fines and Forfeitures	276,861	-	-	-	-	276,861
Interest	47,414	48,283	-	-	-	95,697
Miscellaneous	77,739	70,000	-	-	-	147,739
<b>TOTAL REVENUES</b>	<b>6,552,462</b>	<b>118,283</b>	<b>20,003</b>	<b>-</b>	<b>235,026</b>	<b>6,925,774</b>
<b>EXPENDITURES</b>						
General Government	1,586,363	-	-	234,562	461,663	2,282,588
Public Safety	2,263,213	-	-	-	-	2,263,213
Streets and Public Works	637,114	-	308,484	-	-	945,598
Parks and Recreation	1,144,133	181,971	-	-	-	1,326,104
Cemetery	91,935	-	-	-	-	91,935
Garbage	528,352	-	-	-	-	528,352
Debt Service						
Principal	62,495	-	-	-	425,000	487,495
Interest and Finance Charges	16,403	-	-	-	552,968	569,371
Capital Outlay	60,794	5,317,843	698,983	1,977,461	13,425	8,068,506
<b>TOTAL EXPENDITURES</b>	<b>6,390,802</b>	<b>5,499,814</b>	<b>1,007,467</b>	<b>2,212,023</b>	<b>1,453,056</b>	<b>16,563,162</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>161,660</b>	<b>(5,381,531)</b>	<b>(987,464)</b>	<b>(2,212,023)</b>	<b>(1,218,030)</b>	<b>(9,637,388)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Impact Fees	-	80,719	6,050	4,985	3,396	95,150
Sale of Land	706,250	-	-	-	-	706,250
Transfers from Other Funds	-	-	846,295	1,460,000	1,152,000	3,458,295
Transfers to Other Funds	(1,271,295)	(585,000)	-	(442,000)	-	(2,298,295)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(403,385)</b>	<b>(5,885,812)</b>	<b>(135,119)</b>	<b>(1,189,038)</b>	<b>(62,634)</b>	<b>(7,675,988)</b>
<b>BEGINNING FUND BALANCE</b>	<b>1,159,401</b>	<b>5,646,820</b>	<b>348,931</b>	<b>914,068</b>	<b>34,731</b>	<b>8,103,951</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 756,016</b>	<b>\$ (238,992)</b>	<b>\$ 213,812</b>	<b>\$ (274,970)</b>	<b>\$ (27,903)</b>	<b>\$ 427,963</b>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

---

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER  
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS** **\$ (7,675,988)**

*Amounts reported for governmental activities in the statement of activities are different because*

Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues increased by this amount this year. 79,545

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 4,547,313

Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items. 480,510

Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. (31,237)

**CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS** **\$ (2,599,857)**

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 4,290,748	\$ 4,155,004	\$ 4,170,243	\$ 15,239
Licenses and Permits	424,000	160,500	138,152	(22,348)
Intergovernmental	507,000	507,000	506,596	(404)
Charges for Services	1,291,450	1,391,450	1,335,457	(55,993)
Fines and Forfeitures	287,000	272,000	276,861	4,861
Interest	60,000	60,000	47,414	(12,586)
Miscellaneous	75,000	75,000	77,739	2,739
<b>TOTAL REVENUES</b>	<b>6,935,198</b>	<b>6,620,954</b>	<b>6,552,462</b>	<b>(68,492)</b>
<b><u>EXPENDITURES</u></b>				
General Government	1,644,696	1,610,896	1,586,363	24,533
Public Safety	2,404,980	2,379,480	2,263,213	116,267
Streets and Public Works	726,175	694,675	649,060	45,615
Parks and Recreation	1,125,542	1,197,742	1,168,981	28,761
Cemetery	92,052	116,052	115,935	117
Garbage	552,950	552,950	528,352	24,598
Debt Service				
Principal	62,495	62,495	62,495	-
Interest and Finance Charges	16,405	16,405	16,403	2
<b>TOTAL EXPENDITURES</b>	<b>6,625,295</b>	<b>6,630,695</b>	<b>6,390,802</b>	<b>239,893</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>309,903</b>	<b>(9,741)</b>	<b>161,660</b>	<b>171,401</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Sale of Land	-	705,000	706,250	1,250
Transfers to Other Funds	(400,000)	(1,271,295)	(1,271,295)	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(90,097)</b>	<b>(576,036)</b>	<b>(403,385)</b>	<b>172,651</b>
<b>FUND BALANCE ALLOCATION</b>	<b>90,097</b>	<b>576,036</b>	<b>-</b>	<b>(576,036)</b>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (403,385)</b>	<b>\$ (403,385)</b>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Storm Sewer	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 624,005	\$ 1,003,946	\$ -	1,627,951
Accounts Receivable, Net of Allowance for Uncollectibles	157,689	73,610	32,697	263,996
Due from Other Fund	-	182,778	-	182,778
<b>TOTAL CURRENT ASSETS</b>	<b>781,694</b>	<b>1,260,334</b>	<b>32,697</b>	<b>2,074,725</b>
<b>NONCURRENT ASSETS</b>				
<b>Restricted Cash</b>				
Cash and Cash Equivalents	-	23,791	-	23,791
<b>Capital Assets</b>				
Land	384,582	26,540	123,333	534,455
Water Shares	21,029,675	-	-	21,029,675
Construction in Progress	-	504,863	73,031	577,894
Buildings and Structures Improvements	1,157,289	-	-	1,157,289
Machinery and Equipment	21,290,382	8,388,568	2,535,485	32,214,435
Less Accumulated Depreciation	(5,377,789)	(1,828,820)	(406,899)	(7,613,508)
<b>TOTAL NONCURRENT ASSETS</b>	<b>40,013,755</b>	<b>7,316,688</b>	<b>2,641,118</b>	<b>49,971,561</b>
<b>TOTAL ASSETS</b>	<b>40,795,449</b>	<b>8,577,022</b>	<b>2,673,815</b>	<b>52,046,286</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	34,406	141,252	1,679	177,337
Due to Other Fund	-	-	182,778	182,778
Accrued Interest Payable	292,752	-	-	292,752
Compensated Absences	17,125	12,945	10,815	40,885
Current Portion of Long-Term Debt	255,000	-	-	255,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>599,283</b>	<b>154,197</b>	<b>195,272</b>	<b>948,752</b>
<b>NONCURRENT LIABILITIES</b>				
Bonds Payable	4,154,837	-	-	4,154,837
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>4,154,837</b>	<b>-</b>	<b>-</b>	<b>4,154,837</b>
<b>TOTAL LIABILITIES</b>	<b>4,754,120</b>	<b>154,197</b>	<b>195,272</b>	<b>5,103,589</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	35,603,918	7,292,897	2,641,118	45,537,933
<b>Restricted</b>				
Community Improvements	-	23,791	-	23,791
Unrestricted	437,411	1,106,137	(162,575)	1,380,973
<b>TOTAL NET ASSETS</b>	<b>\$ 36,041,329</b>	<b>\$ 8,422,825</b>	<b>\$ 2,478,543</b>	<b>\$ 46,942,697</b>

See the accompanying notes to the financial statements

# CITY OF HIGHLAND, UTAH

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Storm Sewer	
<b><u>OPERATING REVENUES</u></b>				
Charges for Services	\$ 1,379,508	\$ 784,095	\$ 232,524	\$ 2,396,127
Connection Fees	10,375	4,424	-	14,799
Miscellaneous	1,011,930	-	-	1,011,930
<b>TOTAL OPERATING REVENUES</b>	<b>2,401,813</b>	<b>788,519</b>	<b>232,524</b>	<b>3,422,856</b>
<b><u>OPERATING EXPENSES</u></b>				
Salaries and Benefits	396,842	198,230	171,398	766,470
Operations	969,055	677,202	42,646	1,688,903
Depreciation	694,763	297,280	129,368	1,121,411
<b>TOTAL OPERATING EXPENSES</b>	<b>2,060,660</b>	<b>1,172,712</b>	<b>343,412</b>	<b>3,576,784</b>
<b>OPERATING INCOME (LOSS)</b>	<b>341,153</b>	<b>(384,193)</b>	<b>(110,888)</b>	<b>(153,928)</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Impact Fees	7,300	35,749	-	43,049
Interest Income	6,113	38,456	-	44,569
Interest Expense	(523,792)	-	-	(523,792)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(510,379)</b>	<b>74,205</b>	<b>-</b>	<b>(436,174)</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(169,226)</b>	<b>(309,988)</b>	<b>(110,888)</b>	<b>(590,102)</b>
<b><u>CONTRIBUTIONS AND TRANSFERS</u></b>				
Transfer to Other Fund	(320,000)	(840,000)	-	(1,160,000)
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(320,000)</b>	<b>(840,000)</b>	<b>-</b>	<b>(1,160,000)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(489,226)</b>	<b>(1,149,988)</b>	<b>(110,888)</b>	<b>(1,750,102)</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>36,530,555</b>	<b>9,572,813</b>	<b>2,589,431</b>	<b>48,692,799</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 36,041,329</b>	<b>\$ 8,422,825</b>	<b>\$ 2,478,543</b>	<b>\$ 46,942,697</b>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers	\$ 2,400,431	\$ 772,174	\$ 229,173	\$ 3,401,778
Payments to Suppliers	(1,069,453)	(703,972)	(45,363)	(1,818,788)
Payments to Employees	(400,559)	(196,935)	(168,268)	(765,762)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>930,419</b>	<b>(128,733)</b>	<b>15,542</b>	<b>817,228</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>				
Transfers to Other Funds	(320,000)	(840,000)	-	(1,160,000)
Due from Other Funds	-	15,543	-	15,543
Due to Other Funds	-	-	(15,543)	(15,543)
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(320,000)</b>	<b>(824,457)</b>	<b>(15,543)</b>	<b>(1,160,000)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Impact Fees	7,300	35,749	-	43,049
Proceeds from Bonds	4,310,000	-	-	4,310,000
Acquisition of Capital Assets	(485,713)	(510,479)	-	(996,192)
Bond Payments	(3,897,702)	-	-	(3,897,702)
Interest Expense	(497,906)	-	-	(497,906)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(564,021)</b>	<b>(474,730)</b>	<b>-</b>	<b>(1,038,751)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Income	6,113	38,456	1	44,570
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>6,113</b>	<b>38,456</b>	<b>1</b>	<b>44,570</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>52,511</b>	<b>(1,389,464)</b>	<b>-</b>	<b>(1,336,953)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>571,494</b>	<b>2,417,201</b>	<b>-</b>	<b>2,988,695</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 624,005</b>	<b>\$ 1,027,737</b>	<b>\$ -</b>	<b>\$ 1,651,742</b>

See the accompanying notes to the financial statements

**CITY OF HIGHLAND, UTAH**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm Sewer</u>	
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Operating Income (Loss)	\$ 341,153	\$ (384,193)	\$ (110,888)	\$ (153,928)
Adjustments				
Depreciation	694,763	297,280	129,368	1,121,411
Changes in Assets and Liabilities				
Accounts Receivable, Net	(1,382)	(16,345)	(3,351)	(21,078)
Accounts Payable	(100,398)	(26,770)	(2,717)	(129,885)
Compensated Absences	(3,717)	1,295	3,130	708
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 930,419</b>	<b>\$ (128,733)</b>	<b>\$ 15,542</b>	<b>\$ 817,228</b>
Noncash Financing and Investing Transactions				
Developer Contributions of Fixed Assets	\$ -	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements

**HIGHLAND CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Highland City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

**Financial Reporting Entity**

Highland City was incorporated in 1977 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

**General Government: Mayor and City Council, City Administrator, Justice Court, Finance, Attorney, Treasurer and Recorder**

**Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Engineer, Building Inspection, and Animal Control**

**Public Works: Streets, Water, Sewer, Garbage, Pressurized Irrigation and Storm Drains**

**Parks and Recreation: Parks, Cemetery and Recreation**

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). The component unit discussed below is included as part of the City's reporting entity as a blended component unit.

The Highland City Open Space Special Service District (the District) was established to provide recreation services, including the operation and maintenance of parks, open space and trails within certain areas of the City. The District is governed by a board of trustees composed of the City Mayor and members of the City Council. Although it is a legally separate entity from the City, the District is reported as if it were part of the primary government because of the City's ability to impose its will upon the operations of the District. The District is included in these financial statements as the Open Space Trust Fund. Separate financial statements are not issued for the District.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

## NOTE 1 - (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects park fund* accounts for the construction and improvement of parks within the City.

## NOTE 1 - (CONTINUED)

The *capital projects roads fund* accounts for the construction and improvement of roads within the City.

The *capital projects building fund* accounts for the construction and improvement of buildings owned by the City.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution combined with the pressurized irrigation distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *storm sewer fund* accounts for the activities of the City's efforts to provide storm drains.

Activities of these three funds include administration, operations and maintenance of the water, sewer, pressurized irrigation and storm drain systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Assets, Liabilities and Fund Equity

#### Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

## NOTE 1 - (CONTINUED)

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

### Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

### Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-50 years
Improvements and infrastructure	10-50 years
Machinery, equipment and vehicles	5-15 years

### Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Employees may accumulate unlimited vacation. An employee who is separated from employment may be compensated for all accrued vacation. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 65 days of sick leave. Employees will not be paid for any accumulated sick leave at separation from employment.

## **NOTE 1 - (CONTINUED)**

### **Long-term liabilities**

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

### **Net assets**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Inter-Fund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

### **Deferred Revenue**

Property taxes due November 30, 2009 and unpaid from 2008 are shown as deferred revenue.

**NOTE 1 - (CONTINUED)**

Exaction fees for improvements made by the City in the Town Center area which will be repaid by developers are also shown as deferred revenue.

**Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital Asset Differences**

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 39,607,624
Construction in Progress	2,801,356
Buildings and Structures	14,006,832
Improvements and Infrastructure	64,544,654
Machinery, Equipment and Vehicles	1,858,647
Less Accumulated Depreciation	<u>(32,101,420)</u>
Net Capital Asset Difference	<u>\$ 90,717,693</u>

**Other Long-Term Asset Differences**

Property taxes due in November 2009 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2009	<u>\$ 1,754,393</u>
---	---------------------

## NOTE 2 - (CONTINUED)

### Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Bonds Payable	\$ (12,695,000)
Unamortized Bond Issuance Cost	125,720
Loans Payable	(210,897)
Accrued Interest	(134,092)
Long-Term Compensated Absences	<u>(226,523)</u>
Total Long-Term Liability Difference	\$ <u>(13,140,792)</u>

### Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

### Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 8,068,506
Depreciation Expense	<u>(3,521,193)</u>
Net Difference	\$ <u>4,547,313</u>

### Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments on Bonds and Loans Payable	\$ 487,495
Amortization of Bond Issuance Costs	<u>(6,985)</u>
Net Difference	\$ <u>480,510</u>

## NOTE 2 - (CONTINUED)

### Other Revenue and Expense Differences

The change in long-term compensated absences and accrued interest are not reported in the statement of revenues, expenditures and changes in fund balance. These changes are reported in the statement of activities. The detail of these differences is reported below:

Change in Long-Term Compensated Absences	\$	(37,722)
Change in Accrued Interest		<u>6,485</u>
Net Difference	\$	<u>(31,237)</u>

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Administrator submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The City Administrator has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

### Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1<sup>st</sup> and are delinquent after November 30<sup>th</sup> of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

### **NOTE 3 - (CONTINUED)**

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30<sup>th</sup> and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30<sup>th</sup>.

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

Deposits and investments for City government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7) (The Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the City's exposure to various risks related to its cash management activities.

#### **Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution 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. As of June 30, 2009, none of the City's bank balances of \$127,184 were uninsured and uncollateralized.

#### **Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

**NOTE 4 - (CONTINUED)**

The City government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subjected to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

The following are the City's investments at June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund (PTIF)	\$ 2,215,060	\$ 2,215,060	\$ -	\$ -	\$ -
U.S. Treasuries	<u>8,434</u>	<u>8,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,223,494</u>	<u>\$ 2,223,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 204,185
Investments	<u>2,223,494</u>
Total	<u>\$ 2,427,679</u>
Cash and Cash Equivalents	\$ 2,400,296
Restricted Cash and Cash Equivalents	<u>27,383</u>
Total	<u>\$ 2,427,679</u>

**NOTE 5 - RECEIVABLES**

Accounts receivable and the associated allowances for doubtful accounts at June 30, 2009 are presented in the schedule below.

Property taxes are levied on January 1 of 2009, are due in November of 2009, and are budgeted for the 2009 fiscal year. Even though they are not intended to fund the 2009 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

**NOTE 5 - (CONTINUED)**

The following is a summary of receivables at June 30, 2009:

	<u>Activities</u>	<u>Governmental Activities</u>	<u>Business-type Total</u>
Accounts Receivable	\$ 68,825	\$ 284,996	\$ 353,821
Allowance for Doubtful Accounts	(3,988)	(21,000)	(24,988)
Property Taxes Receivable	1,784,277	-	1,784,277
Sales Taxes Receivable	121,768	-	121,768
Class C Road Receivable	110,767	-	110,767
Franchise Taxes Receivable	93,216	-	93,216
Exaction Fees Receivable	2,055,193	-	2,055,193
Other Receivables	692,758	-	692,758
	<u>\$ 4,922,816</u>	<u>\$ 263,996</u>	<u>\$ 5,186,812</u>

**NOTE 6 - CAPITAL ASSETS**

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2009.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Moves or Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets</b>				
not being Depreciated				
Land	\$ 37,044,124	\$ 2,563,500	\$ -	\$ 39,607,624
Construction in Progress	11,269,399	-	8,468,043	2,801,356
<b>Capital Assets</b>				
being Depreciated				
Buildings and Structures	1,517,515	12,489,317	-	14,006,832
Improvements	63,555,051	989,603	-	64,544,654
and Infrastructure				
Machinery, Equipment	1,452,683	494,129	88,165	1,858,647
and Vehicles				
<b>Total</b>	114,838,772	16,536,549	8,556,208	122,819,113
<b>Less Accumulated Depreciation</b>	<u>(28,668,392)</u>	<u>(3,521,193)</u>	<u>(88,165)</u>	<u>(32,101,420)</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 86,170,380</u>	<u>\$ 13,015,356</u>	<u>\$ 8,468,043</u>	<u>\$ 90,717,693</u>

**NOTE 6 - (CONTINUED)**

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2009.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Moves or Decreases</u>	<u>Ending Balance</u>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 507,915	\$ 26,540	\$ -	\$ 534,455
Water Shares	20,659,406	370,269	-	21,029,675
Construction in Progress	681,423	483,939	587,468	577,894
<b>Capital Assets being Depreciated</b>				
Buildings and Structures	1,157,289	-	-	1,157,289
Improvements and Infrastructure	31,626,967	587,468	-	32,214,435
Machinery, Equipment and Vehicles	<u>1,932,086</u>	<u>115,444</u>	<u>-</u>	<u>2,047,530</u>
<b>Total</b>	<b>56,565,086</b>	<b>1,583,660</b>	<b>587,468</b>	<b>57,561,278</b>
<b>Less Accumulated Depreciation</b>	<b><u>(6,492,096)</u></b>	<b><u>(1,121,412)</u></b>	<b><u>-</u></b>	<b><u>(7,613,508)</u></b>
<b>Business-type Activities Capital Assets, Net</b>	<b><u>\$ 50,072,990</u></b>	<b><u>\$ 462,248</u></b>	<b><u>\$ 587,468</u></b>	<b><u>\$ 49,947,770</u></b>

Depreciation was charged to the functions/programs of the primary government as follows:

<b>Government Activities</b>	
General Government	\$ 240,736
Public Safety	188,381
Streets and Public Works	2,761,942
Parks and Recreation	282,076
Cemetery	<u>48,058</u>
<b>Total Depreciation Expense-Governmental Activities</b>	<b><u>\$ 3,521,193</u></b>
<b>Business-type Activities</b>	
Water	\$ 304,519
Sewer	297,280
Pressurized Irrigation	390,244
Storm Drain	<u>129,368</u>
<b>Total Depreciation Expense-Business-type Activities</b>	<b><u>\$ 1,121,411</u></b>

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The following is a summary of accounts payable and accrued expenses at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Payable	\$ 1,069,989	\$ 177,337	\$ 1,247,326
Accrued Interest Payable	134,092	292,752	426,844
Developer Bonds Payable	<u>282,259</u>	<u>-</u>	<u>282,259</u>
	<b><u>\$ 1,486,340</u></b>	<b><u>\$ 470,089</u></b>	<b><u>\$ 1,956,429</u></b>

## NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in Governmental Activities long-term debt of the City for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Revenue Bonds Payable</b>					
2006 Sales and Franchise Tax	\$ 5,805,000	\$ -	\$ (200,000)	\$ 5,605,000	\$ 210,000
2007 Sales and Franchise Tax	7,315,000	-	(225,000)	7,090,000	230,000
<b>Loans Payable</b>					
1998 Cemetery Mortgage	273,392	-	(62,495)	210,897	66,245
Compensated Absences	<u>280,974</u>	<u>54,505</u>	<u>-</u>	<u>335,479</u>	<u>108,956</u>
	<u>\$ 13,674,366</u>	<u>\$ 54,505</u>	<u>\$ (487,495)</u>	13,241,376	<u>\$ 615,201</u>
Unamortized Bond Issuance Costs				<u>(125,720)</u>	
				<u>\$13,115,656</u>	

The following is a summary of changes in Business-type Activities long-term debt of the City for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
<b>General Obligation Bonds</b>					
1996B Irrigation Water	\$ 123,390	\$ -	\$ -	\$ 123,390	\$ -
1998 Irrigation Refunding	4,230,000	-	(4,230,000)	-	-
2009 Refunding Bonds	-	4,310,000	-	4,310,000	255,000
Compensated Absences	<u>40,177</u>	<u>708</u>	<u>-</u>	<u>40,885</u>	<u>40,885</u>
	<u>\$ 4,393,567</u>	<u>\$ 4,310,708</u>	<u>\$ (4,230,000)</u>	4,474,275	<u>\$ 295,885</u>
Unamortized Bond Issuance Costs and Discounts				<u>(23,553)</u>	
				<u>\$ 4,450,722</u>	

The 2006 and 2007 sales and franchise tax revenue bonds were issued for the construction of the City Hall, the Justice Center and the Fire Station. The City pledges income derived from sales and franchise taxes to repay the revenue bonds. The cemetery mortgage loan was used to acquire land to expand the cemetery. The general obligation bonds were issued to improve the secondary water system. The City pledges income derived from the secondary water system to repay the general obligation bonds.

**NOTE 8 - (CONTINUED)**

Long-term debt and obligations payable at June 30, 2009 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b>Governmental Activities</b>				
Sales and Franchise Tax Revenue Bonds, Series 2006 (original amount--\$6,000,000)	4.00% to 4.35%	2027	\$ 210,000	\$ 5,395,000
Sales and Franchise Tax Revenue Bonds, Series 2007 (original amount--\$7,315,000)	4.00% to 5.25%	2028	230,000	6,860,000
Cemetery Mortgage (original amount--\$766,281)	6.00%	2012	66,245	144,652
Compensated Absences			108,956	226,523
Unamortized Bond Issuance Costs			<u>-</u>	<u>(125,720)</u>
<b>Total Governmental Activities Long-term Debt</b>			<b><u>\$ 615,201</u></b>	<b><u>\$ 12,500,455</u></b>
<b>Business-type Activities</b>				
Irrigation Water General Obligation Bonds, Series 1996B (original amount--\$123,390)	4.00%	2018	\$ -	\$ 123,390
Irrigation General Obligation Refunding Bonds, Series 2009 (original amount--\$4,310,000)	2.75% to 4.125%	2022	255,000	4,055,000
Compensated Absences			40,885	-
Unamortized Bond Issuance Costs and Discounts			<u>-</u>	<u>(23,553)</u>
<b>Total Business-type Activities Long-term Debt</b>			<b><u>\$ 295,885</u></b>	<b><u>\$ 4,154,837</u></b>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 506,245	\$ 545,820	\$ 255,000	\$ 172,549	\$ 761,245	\$ 718,369
2011	530,219	522,133	280,000	146,744	810,219	668,877
2012	554,433	497,333	290,000	139,044	844,433	636,377
2013	500,000	471,404	300,000	131,069	800,000	602,473
2014	525,000	448,954	305,000	122,069	830,000	571,023
2015-2019	2,995,000	1,869,806	1,818,390	707,968	4,813,390	2,577,774
2020-2024	3,705,000	1,165,717	1,185,000	97,537	4,890,000	1,263,254
2025-2028	<u>3,590,000</u>	<u>314,022</u>	<u>-</u>	<u>-</u>	<u>3,590,000</u>	<u>314,022</u>
	<b><u>\$12,905,897</u></b>	<b><u>\$5,835,189</u></b>	<b><u>\$4,433,390</u></b>	<b><u>\$1,516,980</u></b>	<b><u>\$17,339,287</u></b>	<b><u>\$ 7,352,169</u></b>

## **NOTE 9 - RESERVED FUND EQUITY**

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund.

## **NOTE 10 - RETIREMENT PLANS**

### **Plan Description**

Highland City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections 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 (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement systems, 540 East 200 South Salt Lake City, Utah 84102-2099 or by calling 1-800-365-8772.

### **Funding Policy**

In the Local Governmental Noncontributory Retirement System, Highland City is required to contribute 11.62% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Highland City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2009, 2008, and 2007 were \$188,276, \$168,719 and \$137,346 respectively. The contributions were equal to the required contributions for each year.

## **NOTE 11 - DEFERRED COMPENSATION PLANS**

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 457 for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2009, 2008, and 2007 contributions totaling \$43,316, \$49,249, and \$35,967, respectively were made to the plan by employees and \$167,697, \$180,429 and \$150,821 respectively by the City.

## NOTE 11 - (CONTINUED)

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2009, 2008, and 2007 contributions totaling \$43,201, \$61,835 and \$32,822, respectively were made to the plan by employees and \$78,667, \$112,011, and \$65,828 respectively by the City.

## NOTE 12 - RISK MANAGEMENT

Highland City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

## NOTE 13 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 1,271,295
Open Space	175,000	-
Debt Service	977,000	-
Capital Projects - Parks	-	585,000
Capital Projects - Roads	846,295	-
Capital Projects - Building	1,460,000	442,000
Sewer	-	840,000
Pressurized Irrigation	-	320,000
	<u>\$ 3,458,295</u>	<u>\$ 3,458,295</u>

## NOTE 14 - RELATED PARTY TRANSACTIONS

The City Treasurer and the Finance Director are related through marriage as sister-in-law and brother-in-law, respectively.

## **SUPPLEMENTARY INFORMATION**

**CITY OF HIGHLAND, UTAH**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

---

	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Debt Service Fund</u>	<u>Open Space Trust</u>	<u>Northwest Annexation</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	28,146	-	28,146
Due from Other Fund	-	-	-	-
Restricted Cash	<u>3,592</u>	<u>-</u>	<u>-</u>	<u>3,592</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,592</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ 31,738</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Fund	<u>-</u>	<u>58,903</u>	<u>738</u>	<u>59,641</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>58,903</u>	<u>738</u>	<u>59,641</u>
<b><u>FUND BALANCE</u></b>				
Reserved for Impact Fees				
Debt Service	3,592	-	-	3,592
Impact Fees	-	-	-	-
Unreserved	<u>-</u>	<u>(30,757)</u>	<u>(738)</u>	<u>(31,495)</u>
<b>TOTAL FUND EQUITY</b>	<u>3,592</u>	<u>(30,757)</u>	<u>(738)</u>	<u>(27,903)</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 3,592</u>	<u>\$ 28,146</u>	<u>\$ -</u>	<u>\$ 31,738</u>

**CITY OF HIGHLAND, UTAH**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Debt Service	Special Revenue	Capital Projects	
	Debt Service Fund	Open Space Trust	Northwest Annexation	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Charges for Services	\$ -	\$ 235,026	\$ -	\$ 235,026
<b>TOTAL REVENUES</b>	<b>-</b>	<b>235,026</b>	<b>-</b>	<b>235,026</b>
<b>EXPENDITURES</b>				
General Government	-	461,661	2	461,663
Streets and Public Works	-	-	-	-
Capital Outlay	-	13,425	-	13,425
Debt Service				
Principal	425,000	-	-	425,000
Interest and Finance Charges	552,968	-	-	552,968
<b>TOTAL EXPENDITURES</b>	<b>977,968</b>	<b>475,086</b>	<b>2</b>	<b>1,453,056</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(977,968)</b>	<b>(240,060)</b>	<b>(2)</b>	<b>(1,218,030)</b>
<b>OTHER FINANCING SOURCES</b>				
Impact Fees	-	-	3,396	3,396
Transfers from Other Funds	977,000	175,000	-	1,152,000
Transfers to Other Funds	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<b>(968)</b>	<b>(65,060)</b>	<b>3,394</b>	<b>(62,634)</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,560</b>	<b>34,303</b>	<b>(4,132)</b>	<b>34,731</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,592</b>	<b>\$ (30,757)</b>	<b>\$ (738)</b>	<b>\$ (27,903)</b>

**STATE LEGAL COMPLIANCE REPORT**

**GREG ODGEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801) 489-8408**

---

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

**October 28, 2009**

**The Honorable Mayor  
Members of the City Council  
Highland City, Utah**

**Council Members:**

**I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements and have issued my report thereon dated October 28, 2009. As part of my audit, I have audited Highland City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2009. The City received the following major State assistance programs from the State of Utah:**

**"C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)**

**My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:**

<b>Public Debt</b>	<b>Other General Issues</b>
<b>Cash Management</b>	<b>Uniform Building Code Standards</b>
<b>Purchasing Requirements</b>	<b>Liquor Law Enforcement</b>
<b>Budgetary Compliance</b>	<b>Justice Court</b>
<b>Truth in Taxation and Property</b>	<b>Impact Fees</b>
<b>Tax Limitations</b>	<b>Asset Forfeiture</b>
<b>Class C Road Funds</b>	<b>Utah Retirement System</b>
<b>Special Districts</b>	

**The management of Highland City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.**

**I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.**

**My audit does not provide a legal determination on the City's compliance with these requirements.**

**The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter as State Compliance Finding #1. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.**

**In my opinion, Highland City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2009.**

**The report is intended solely for the information and use of management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.**

  
**Greg Ogden,  
Certified Public Accountant**

# **GOVERNMENT AUDITING STANDARDS REPORT**

**GREG ODGEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801) 489-8408**

---

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**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***

**October 28, 2009**

**Honorable Mayor  
Members of the City Council  
Highland City, Utah**

**Council Members:**

**I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Highland City, Utah, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 28, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.**

**Internal Control Over Financial Reporting**

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

**A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider internal control deficiencies #1 and #2 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.**

**A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.**

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

**Compliance and Other Matters**

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

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

  
Greg Ogden  
Certified Public Accountant