

CITY OF BLUFFDALE, UTAH

**Basic Financial Statements and
Supplementary Information**

Year Ended June 30, 2012

CITY OF BLUFFDALE, UTAH

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CITY OF BLUFFDALE, UTAH

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Bluffdale, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Bluffdale, Utah ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 27, 2012



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Management's Discussion and Analysis

As management of the City of Bluffdale ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$31,589,834. The City's assets are comprised of capital assets and funds legally restricted in their use (*restricted net assets*).
- The government's total net assets increased by \$6,557,694 during 2012. The increase in net assets can be attributed to major infrastructure additions and expending less than the budgeted amount in the general fund, and increases in various fee revenues.
- The unassigned fund balance for the general fund was \$554,534 or approximately 13 percent of total general fund expenditures. The unassigned fund balance for the general fund decreased by \$8,721 from the previous year.
- The City's total outstanding long-term liabilities experienced a net increase of \$834,023. The increase was a combination of new debt issued in the water fund and a decrease due to the principal payment on the Special Improvement District Bonds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Bluffdale's basic financial statements. The 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 the City's finances, in manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Overview of the Financial Statements (Continued)

Government-wide financial Statements (Continued) 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental* activities) from other functions that are intended to cover all or a significant portion of their cost through user fees and charges (*business-type* activities). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, cemetery, and garbage. Water is the only business-type activities of the City.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Redevelopment Agency of Bluffdale City (RDA), a legally separate entity for which the City is financially accountable. Financial information for this *component unit* is blended with the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 13-14 of this report.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 the 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 a government's near term financing requirements.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Overview of the Financial Statements (Continued)

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 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 government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five 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 the capital improvements fund, which are considered major funds. Financial information for the other three funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 15-17 of this report. The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains one proprietary fund, the water fund that is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The water fund is a major fund. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one fiduciary fund for deposits made by contractors to ensure that building requirements are met. The accounting for fiduciary funds is very similar to the accounting used for proprietary funds. The basic fiduciary fund financial statements can be found on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-44 of this report.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Overview of the Financial Statements (Continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The combining statements referred to earlier in connection with non-major funds is presented as supplementary information. Also included are budget to actual comparisons for the special revenue funds.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2012, the City's assets exceeded liabilities by \$31,589,834. The largest portion (57.3 percent) of the City's net assets is composed of Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of any related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets (31.3 percent) can be used to spend in the future with no restrictions. As in contrast with restricted assets (11.4 percent), which are assets restricted for a specific purpose, in this case for debt service.

City of Bluffdale's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 12,550,023	\$ 10,296,088	\$ 3,316,789	\$ 3,613,039	\$ 15,866,812	\$ 13,909,127
Capital assets	17,405,185	16,280,634	8,940,180	5,888,077	26,345,365	22,168,711
Total assets	<u>29,955,208</u>	<u>26,576,722</u>	<u>12,256,969</u>	<u>9,501,116</u>	<u>42,212,177</u>	<u>36,077,838</u>
Other liabilities	3,336,468	2,569,818	314,171	2,338,199	3,650,639	4,908,017
Long-term liabilities	3,957,921	4,360,343	3,013,783	1,777,338	6,971,704	6,137,681
Total liabilities	<u>7,294,389</u>	<u>6,930,161</u>	<u>3,327,954</u>	<u>4,115,537</u>	<u>10,622,343</u>	<u>11,045,698</u>
Net assets:						
Invested in capital assets, net						
of related debt	13,012,114	11,572,775	5,072,907	1,897,374	18,085,021	13,470,149
Restricted	3,600,366	4,002,346	-	20,952	3,600,366	4,023,298
Unrestricted	6,048,339	4,071,440	3,856,108	3,467,253	9,904,447	7,538,693
Total net assets	<u>\$ 22,660,819</u>	<u>\$ 19,646,561</u>	<u>\$ 8,929,015</u>	<u>\$ 5,385,579</u>	<u>\$ 31,589,834</u>	<u>\$ 25,032,140</u>

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Government-wide Financial Analysis (Continued)

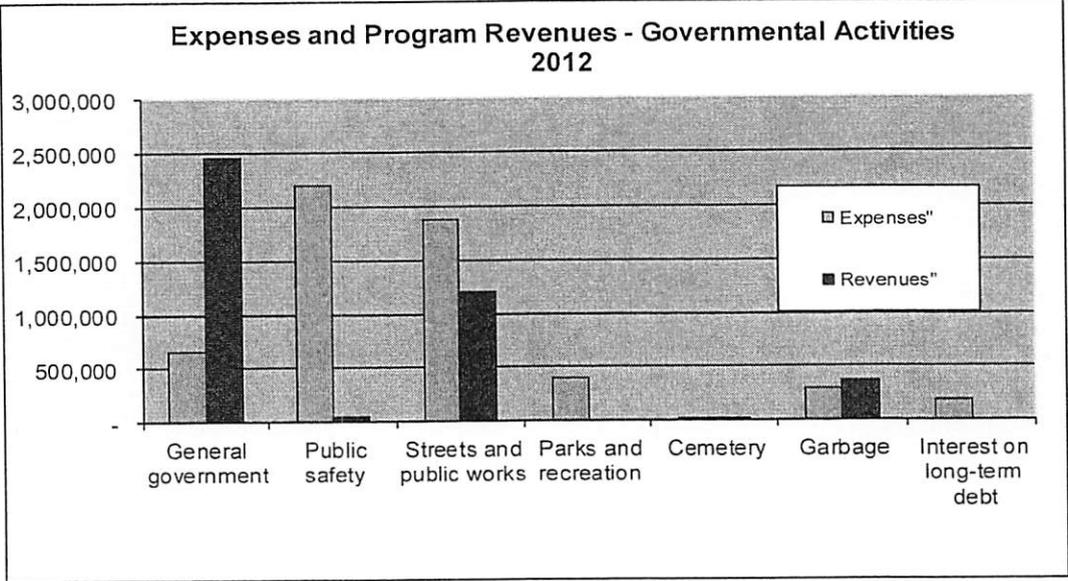
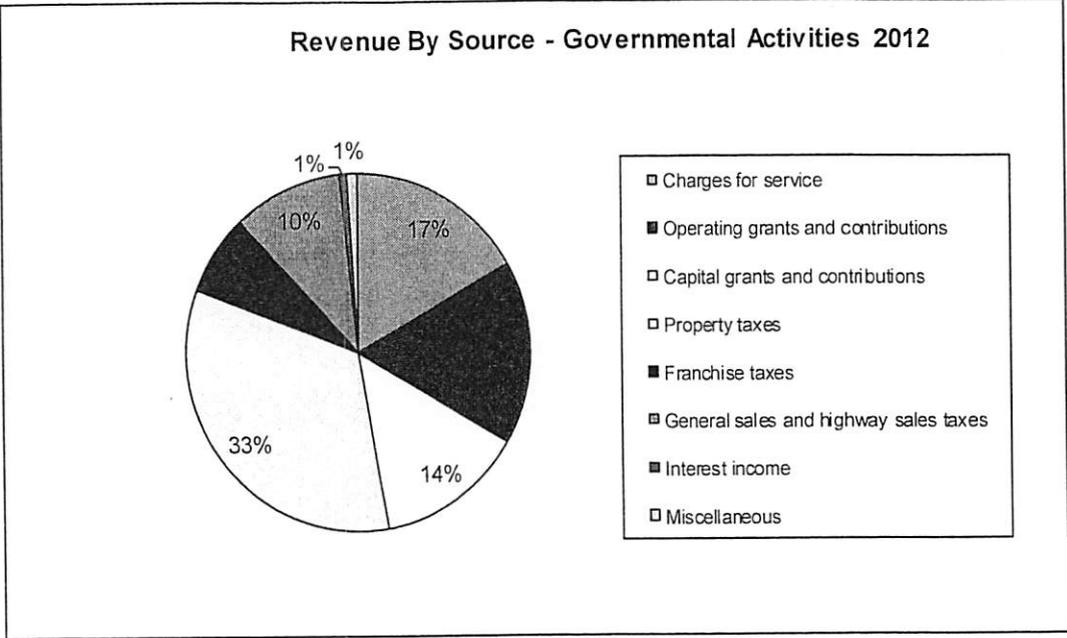
Governmental activities. Governmental activities increased the City's net assets by \$3,014,258, accounting for 46 percent of the total growth in net assets. Business-type activities increased the City's net assets by \$3,543,436 accounting for 54 percent of the total growth in net assets. This increase in both activities was the result of investment in infrastructure for the City.

City of Bluffdale's Change in Net Assets

	Governmental		Business-type		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 1,452,785	\$ 1,228,153	\$ 5,229,694	\$ 1,290,393	\$ 6,682,479	\$ 2,518,546
Operating grants and contributions	1,429,082	1,116,381	-	-	1,429,082	1,116,381
Capital grants and contributions	1,199,558	2,323,826	100,000	429,624	1,299,558	2,753,450
General revenues:						
Property taxes	2,883,967	2,150,169	-	-	2,883,967	2,150,169
Sales tax and highway tax	887,227	850,249	-	-	887,227	850,249
Franchise taxes	623,172	645,270	-	-	623,172	645,270
Interest income	61,489	49,756	-	-	61,489	49,756
Gain on sale of assets	-	81,572	-	-	-	81,572
Other	85,014	57,226	-	-	85,014	57,226
Total revenues	<u>8,622,294</u>	<u>8,502,602</u>	<u>5,329,694</u>	<u>1,720,017</u>	<u>13,951,988</u>	<u>10,222,619</u>
Expenses:						
General government	657,310	1,009,265	-	-	657,310	1,009,265
Public safety	2,193,240	2,064,831	-	-	2,193,240	2,064,831
Streets and public works	1,874,658	803,950	-	-	1,874,658	803,950
Parks and recreation	402,314	267,238	-	-	402,314	267,238
Cemetery	3,298	2,464	-	-	3,298	2,464
Garbage	294,536	279,977	-	-	294,536	279,977
Interest on long-term debt	182,680	209,118	-	-	182,680	209,118
Water	-	-	1,786,258	1,350,642	1,786,258	1,350,642
Total expenses	<u>5,608,036</u>	<u>4,636,843</u>	<u>1,786,258</u>	<u>1,350,642</u>	<u>7,394,294</u>	<u>5,987,485</u>
Increase in net assets	3,014,258	3,865,759	3,543,436	369,375	6,557,694	4,235,134
Net assets, beginning	19,646,561	15,780,802	5,385,579	5,016,204	25,032,140	20,797,006
Net assets, ending	<u>\$ 22,660,819</u>	<u>\$ 19,646,561</u>	<u>\$ 8,929,015</u>	<u>\$ 5,385,579</u>	<u>\$ 31,589,834</u>	<u>\$ 25,032,140</u>

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Government-wide Financial Analysis (Continued)



CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Government-wide Financial Analysis (Continued)

Business-type activities. Business-type activities increased the City's net assets by \$3,543,436 accounting for 54 percent of the total growth in the government's net assets. The key elements of this major increase are revenues exceeding expenses. The City developed and constructed a 3 million gallon water pump house used to deliver water to the newly constructed Utah Data Center ("UDC") at the southern part of the City, using impact and connection fees paid for by the UDC. The water fund is the only business-type activity. Charges for services were the only source of revenue in the water fund.

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 may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,391,144 an increase of \$1,597,413 in comparison with prior year. Of the ending fund balance, 5.9 percent (\$554,534) constitutes unassigned fund balance, which is available for spending at the government's discretion. The restricted portion of fund balance is restricted to indicate that it is not available for new spending because it has already been committed 1) to pay for the retirement of debt service (\$308,856), 2) to pay for debt service and construction of capital assets (\$391,277), 3) construction of capital assets funded by impact fees (\$2,285,185), 4) to pay for Class "C" road projects (\$614,498).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$554,534 while total fund balance was \$1,169,032. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13 percent of total general fund expenditures.

The City's total general fund balance experienced a \$224,033 decrease during the current fiscal year. The majority of the decrease is due to a transfer of funds to the capital projects fund. Unassigned fund balance decreased \$8,721 in comparison with prior year. These funds are available to spend at the City's discretion.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Financial Analysis of the Government's Funds (Continued)

The capital projects fund has a total fund balance of \$4,119,607. Of that amount \$308,856 is restricted for 1) retirement of debt and 2) \$1,525,566 for various capital projects at the City's discretion, 3) \$2,285,185 restricted for construction of capital assets funded by impact fees. The fund balance increased \$297,838 from the previous year.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Net assets of the Water fund at the end of the year were \$8,929,015. Net assets increased \$3,543,436 from the preceding year. The majority of the increase was due to a single large connection fee paid for by the UDC for capital infrastructure.

General Fund Budgetary Highlights

The original budget and the final amended budget overall totals were same in total except for minor adjustments that were made from department to department budgets during the course of the year to more accurately reflect the budgetary needs of those departments.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$25,515,236 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, distribution and collection systems, and construction in process. The City's capital assets increased slightly, \$3,346,525 from the preceding year. The majority of the increase was from infrastructure from developer contributions.

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Capital Assets and Debt Administration (Continued)

City of Bluffdale's Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 3,729,969	\$ 3,049,969	\$ 75,004	\$ 75,004	\$ 3,804,973	\$ 3,124,973
Buildings	1,265,167	1,293,294	-	-	1,265,167	1,293,294
Infrastructure	11,735,066	11,284,191	-	-	11,735,066	11,284,191
Water distribution system	-	-	7,759,057	4,352,191	7,759,057	4,352,191
Machinery and equipment	634,383	653,180	102,425	82,995	736,808	736,175
Construction in progress	-	-	214,165	1,377,887	214,165	1,377,887
Total	\$ 17,364,585	\$ 16,280,634	\$ 8,150,651	\$ 5,888,077	\$ 25,515,236	\$ 22,168,711

Long-term debt. At the end of the current fiscal year, the City had \$7,494,485 in outstanding long-term debt. The City's total debt decreased \$1,289,001 during fiscal year 2012.

City of Bluffdale's Long-term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
SID revenue bonds	\$ 2,588,000	\$ 2,854,000	\$ -	\$ -	\$ 2,588,000	\$ 2,854,000
Sales tax revenue bonds	1,635,000	1,740,000	-	-	1,635,000	1,740,000
Capital lease payable	116,255	134,930	-	-	116,255	134,930
Water revenue	-	-	3,070,288	1,783,384	3,070,288	1,783,384
Water facilities revenue	-	-	-	2,200,000	-	2,200,000
Vacation payable	69,078	55,862	15,864	15,310	84,942	71,172
Total	\$ 4,408,333	\$ 4,784,792	\$ 3,086,152	\$ 3,998,694	\$ 7,494,485	\$ 8,783,486

CITY OF BLUFFDALE, UTAH
Management's Discussion and Analysis (Continued)
June 30, 2012

Economic Factors and the Next Year's Budgets and Rates

As part of the budget process each year the City performs an evaluation to project future revenues for the coming fiscal year. A major aspect of this evaluation is projecting property tax and sales tax revenues. Property taxes were raised six years ago in the amount of approximately 35% as a result in the City holding a Truth in Taxation hearing. Building permits declined at a rapid pace with the slowdown in the economy from 2008 - 2011 and the ability to obtain credit. This also affects impact fees collected by the City on building permits. Sales tax revenue in the most recent months, have averaged a slight increase from the previous year amounts, along with an increase in building permits over the past few years which is encouraging to the City's financial picture. The City has just recently approved a large development located in the North East part of the City, a 294 acre master planned community development. The planned community will include about 1,900 housing units at build-out which is expected to take 10-12 years. The first phase of construction has begun in the northeast section of the project. The City is taking progressive steps to ensure that the community is developed in the most responsible manner possible. With the completion of the Mountain View Corridor in South Salt Lake County a new road, Porter Rockwell Boulevard ("PRB") connects the corridor with Redwood Road. The City has successfully added PRB to Phase I of the Wasatch Regional Council list of roads to be built during the next 8 years. PRB, when completed, will connect the corridor to I-15. This freeway to freeway connection will become a major economic development corridor for the City. The first portion of the northern section of PRB has been built and a section of the right-of-way has been obtained that extends from Redwood Road to the Jordan River, with funds received during fiscal year 2013 from the corridor preservation funds. This area holds significant developmental challenges and the City intends to set up a community development agency to help overcome the challenges. The City has begun to build a reuse water line that includes a 2 million gallon water tank to take the cooling water discharge from the UDC and then deliver it to irrigate the city park. This project will be funded by a \$4.9 million discharge water fee to be paid by the UDC when the City can show the water can be disposed of by State-permitted means. This project should be completed in fiscal year 2013.

Requests for Information

The financial report is designed to provide a general overview of the City for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, Mark Reid, 14350 South 2200 West, Bluffdale Utah 84065, or email, mreid@bluffdale.com.

CITY OF BLUFFDALE, UTAH
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,921,825	\$ 1,467,110	\$ 10,388,935
Receivables:			
Property and other taxes	2,776,247	-	2,776,247
Accounts	148,430	191,839	340,269
Internal balances	(414,373)	414,373	-
Due from other governments	57,684	-	57,684
Bond issuance costs	355,703	46,894	402,597
Investment in water stock and rights	40,600	789,529	830,129
Investment in common stock	3,825	-	3,825
Restricted cash	700,683	1,196,572	1,897,255
Capital assets:			
Land	3,729,969	75,004	3,804,973
Buildings	1,807,728	-	1,807,728
Machinery and equipment	2,040,334	311,557	2,351,891
Distribution and collection systems	-	9,576,619	9,576,619
Infrastructure	14,711,531	-	14,711,531
Construction in progress	-	214,165	214,165
Accumulated depreciation	(4,924,977)	(2,026,694)	(6,951,671)
Total assets	<u>29,955,209</u>	<u>12,256,968</u>	<u>42,212,177</u>
LIABILITIES			
Accounts payable	249,213	203,971	453,184
Accrued interest payable	82,880	-	82,880
Accrued liabilities	1,669,787	37,831	1,707,618
Deferred revenue	884,177	-	884,177
Non-current liabilities:			
Due within one year	450,412	72,369	522,781
Due in more than one year	3,957,921	3,013,783	6,971,704
Total liabilities	<u>7,294,390</u>	<u>3,327,954</u>	<u>10,622,344</u>
NET ASSETS			
Invested in capital assets, net of debt	13,012,114	5,072,907	18,085,021
Restricted for:			
Debt service	700,683	-	700,683
Capital projects	2,899,683	-	2,899,683
Unrestricted	6,048,339	3,856,107	9,904,446
Total net assets	<u>\$ 22,660,819</u>	<u>\$ 8,929,014</u>	<u>\$ 31,589,833</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Activities
For the Year Ended June 30, 2012

	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<u>GOVERNMENTAL ACTIVITIES</u>						
General government	\$ 654,810	\$ 1,070,965	\$ 1,384,085	\$ -	\$ 1,800,240	\$ 1,800,240
Public safety	2,195,740	-	44,997	-	(2,150,743)	(2,150,743)
Streets and public works	1,874,658	-	-	1,199,558	(675,100)	(675,100)
Parks and recreation	402,314	-	-	-	(402,314)	(402,314)
Cemetery	3,298	6,100	-	-	2,802	2,802
Garbage	294,536	375,720	-	-	81,184	81,184
Interest on long-term debt	182,680	-	-	-	(182,680)	(182,680)
Total governmental activities	5,608,036	1,452,785	1,429,082	1,199,558	(1,526,611)	(1,526,611)
<u>BUSINESS TYPE ACTIVITIES</u>						
Water	1,786,259	5,229,694	-	100,000		\$ 3,543,435
Total business-type activities	1,786,259	5,229,694	-	100,000		3,543,435
<u>GENERAL REVENUES</u>						
Taxes:						
Property taxes					2,883,967	-
Franchise taxes					623,172	-
General sales taxes and highway sales taxes					887,227	-
Interest income					61,489	-
Miscellaneous					85,014	-
Total general revenues					4,540,869	-
Change in net assets					3,014,258	3,543,435
Net assets - beginning					19,646,561	5,385,579
Net assets - ending					\$ 22,660,819	\$ 8,929,014
						\$ 31,589,833

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Balance Sheet – Governmental Funds
June 30, 2012

	General	Special Revenue Funds		Capital Projects Fund	Cemetery Perpetual Care (Nonmajor)	Totals Governmental Funds
		Improvement District	Redevelopment Agency			
ASSETS						
Cash and cash equivalents	\$ 964,117	\$ 525,161	\$ 3,177,661	\$ 4,243,386	\$ 11,500	\$ 8,921,825
Restricted cash and investments	-	391,827	-	308,856	-	700,683
Receivables:						
Sales, property and franchise taxes	935,625	-	1,840,622	-	-	2,776,247
Accounts	148,430	-	-	-	-	148,430
Class C road funds	57,684	-	-	-	-	57,684
Prepaid expenses	3,825	-	-	-	-	3,825
Total assets	\$ 2,109,681	\$ 916,988	\$ 5,018,283	\$ 4,552,242	\$ 11,500	\$ 12,608,694
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 227,307	\$ -	\$ 3,644	\$ 18,262	\$ -	\$ 249,213
Accrued liabilities	25,972	-	1,643,815	-	-	1,669,787
Deferred revenue - property taxes	687,370	-	196,807	-	-	884,177
Due to other funds	-	-	-	414,373	-	414,373
Total liabilities	940,649	-	1,844,266	432,635	-	3,217,550
Fund balances:						
Restricted for:						
Retirement of debt	-	-	-	308,856	-	308,856
Impact fees	-	-	-	2,285,185	-	2,285,185
Class C road projects	614,498	-	-	-	-	614,498
Debt service and construction	-	391,827	-	-	-	391,827
Total restricted	614,498	391,827	-	2,594,041	-	3,600,366
Assigned to:						
Special revenue funds	-	525,161	3,174,017	-	-	3,699,178
Capital projects fund	-	-	-	1,525,566	-	1,525,566
Permanent fund	-	-	-	-	11,500	11,500
Total assigned	-	525,161	3,174,017	1,525,566	11,500	5,236,244
Unassigned	554,534	-	-	-	-	554,534
Total fund balances	1,169,032	916,988	3,174,017	4,119,607	11,500	9,391,144
Total liabilities and fund balances	\$ 2,109,681	\$ 916,988	\$ 5,018,283	\$ 4,552,242	\$ 11,500	\$ 12,608,694

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
To The Statement of Net Assets
June 30, 2012

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances - Total Governmental Funds (page 14)	\$ 9,391,144
Capital assets and water stock used in governmental activities are not financial resources and therefore, are not reported in the funds.	17,405,185
Other long-term assets are not available for current period expenditures and are therefore deferred in the funds balance sheet.	355,703
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(4,491,213)</u>
Net Assets - Governmental Activities (page 12)	<u><u>\$ 22,660,819</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2012

	General	Special Revenue Funds		Capital Projects Fund	Cemetery Perpetual Care (Nonmajor)	Totals Governmental Funds
		Improvement District	Redevelopment Agency			
REVENUES						
Taxes	\$ 2,382,184	\$ 171,560	\$ 1,840,622	\$ -	\$ -	\$ 4,394,366
Special assessments	297,903	218,740	-	867,442	-	1,384,085
Licenses and permits	421,569	-	-	-	-	421,569
Charges for services	381,445	-	-	84,375	-	465,820
Intergovernmental	44,997	-	-	-	-	44,997
Garbage	375,720	-	-	-	-	375,720
Fines and forfeitures	183,576	-	-	-	-	183,576
Cemetery	6,100	-	-	-	-	6,100
Interest	9,326	2,832	21,820	27,511	-	61,489
Miscellaneous	85,014	-	-	-	-	85,014
Total revenues	4,187,834	393,132	1,862,442	979,328	-	7,422,736
EXPENDITURES						
General government	1,118,572	-	146,444	-	-	1,265,016
Public safety	1,476,443	-	-	-	-	1,476,443
Streets and public works	997,669	-	-	872,282	-	1,869,951
Parks and recreation	355,149	-	-	-	-	355,149
Cemetery	3,298	-	-	-	-	3,298
Garbage	294,536	-	-	-	-	294,536
Debt service:						
Principal retirement	-	266,000	-	105,000	-	371,000
Interest and fiscal charges	-	122,722	-	67,208	-	189,930
Total expenditures	4,245,667	388,722	146,444	1,044,490	-	5,825,323
Excess of revenues over (under) expenditures	(57,833)	4,410	1,715,998	(65,162)	-	1,597,413
OTHER FINANCING SOURCES (USES)						
Transfers in	196,800	-	-	363,000	-	559,800
Transfers out	(363,000)	-	(196,800)	-	-	(559,800)
Total other financing sources (uses)	(166,200)	-	(196,800)	363,000	-	-
Net change in fund balance	(224,033)	4,410	1,519,198	297,838	-	1,597,413
Fund balance, beginning of year	1,393,065	912,578	1,654,819	3,821,769	11,500	7,793,731
Fund balance, end of year	\$ 1,169,032	\$ 916,988	\$ 3,174,017	\$ 4,119,607	\$ 11,500	\$ 9,391,144

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds To the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 16)	\$	1,597,413
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period.		1,083,951
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the payment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Repayment of principal on det is an expenditure in the governmental funds, but thte repayment reduces long-term liabilities in the Statement of Net Assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		389,675
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(56,781)
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Change in net assets - governmental activities (page 13)	\$	<u>3,014,258</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 2,266,027	\$ 2,328,283	\$ 2,382,184	\$ 53,901
Special assessments	275,000	275,000	297,903	22,903
Licenses and permits	290,000	395,000	421,569	26,569
Charges for service	466,000	407,422	381,445	(25,977)
Intergovernmental	5,000	45,000	44,997	(3)
Garbage	400,000	380,000	375,720	(4,280)
Fines and forfeitures	175,000	175,000	183,576	8,576
Cemetery	5,000	5,000	6,100	1,100
Interest	20,000	20,000	9,326	(10,674)
Miscellaneous	57,500	86,055	85,014	(1,041)
Contributions and transfers	70,000	437,800	196,800	(241,000)
Total revenues	<u>4,029,527</u>	<u>4,554,560</u>	<u>4,384,634</u>	<u>(169,926)</u>
EXPENDITURES				
General government				
City council	32,500	35,050	34,939	111
Mayor	11,700	11,800	10,444	1,356
Administration	483,409	400,783	399,164	1,619
Facilities	95,800	95,800	75,940	19,860
Planning and zoning	134,995	99,719	97,496	2,223
Risk management	70,500	75,500	74,281	1,219
Court	163,737	180,459	177,795	2,664
Building inspection	82,474	80,089	78,051	2,038
Code enforcement	75,904	86,288	84,217	2,071
Legal	-	86,673	86,245	428
Public safety				
Fire and ambulance	702,420	753,420	705,445	47,975
Law enforcement	762,498	777,498	770,998	6,500
Streets and public works	1,157,444	1,302,709	997,669	305,040
Parks and recreation	305,546	318,936	355,149	(36,213)
Cemetery	6,500	6,500	3,298	3,202
Garbage	275,000	300,000	294,536	5,464
Transfers	28,100	387,336	363,000	24,336
Total expenditures	<u>4,388,527</u>	<u>4,998,560</u>	<u>4,608,667</u>	<u>389,893</u>
Net change in fund balance	(359,000)	(444,000)	(224,033)	219,967
Fund balance, beginning of year	1,393,065	1,393,065	1,393,065	-
Fund balance, end of year	<u>\$ 1,034,065</u>	<u>\$ 949,065</u>	<u>\$ 1,169,032</u>	<u>\$ 219,967</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – Special Improvement District – Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ 171,560	\$ 171,560
Special assessments	390,000	390,000	218,740	(171,260)
Interest	5,000	5,000	2,832	(2,168)
	<u>395,000</u>	<u>395,000</u>	<u>393,132</u>	<u>(1,868)</u>
Total revenues				
<u>EXPENDITURES</u>				
Debt service	535,000	535,000	388,722	146,278
	<u>535,000</u>	<u>535,000</u>	<u>388,722</u>	<u>146,278</u>
Total expenditures				
Net change in fund balance	(140,000)	(140,000)	4,410	144,410
Fund balance at beginning of year	912,578	912,578	912,578	-
Fund balance at end of year	<u>\$ 772,578</u>	<u>\$ 772,578</u>	<u>\$ 916,988</u>	<u>\$ 144,410</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Redevelopment Agency – Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>				
Taxes	\$ 800,000	\$ 1,643,815	\$ 1,840,622	\$ 196,807
Interest	-	-	21,820	21,820
Total revenue	800,000	1,643,815	1,862,442	218,627
<u>EXPENDITURES</u>				
General government	760,000	1,483,815	146,444	1,337,371
Total expenditures	760,000	1,483,815	146,444	1,337,371
Excess of revenues over expenditures	40,000	160,000	1,715,998	1,555,998
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer out	(40,000)	(160,000)	(196,800)	(36,800)
Net change in fund balance	-	-	1,519,198	1,519,198
Fund balance, beginning of year	1,654,819	1,654,819	1,654,819	-
Fund balance, end of year	<u>\$ 1,654,819</u>	<u>\$ 1,654,819</u>	<u>\$ 3,174,017</u>	<u>\$ 1,519,198</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Net Assets – Proprietary Fund
June 30, 2012

	<u>Water Fund</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents - unrestricted	\$ 1,467,110
Cash and cash equivalents - restricted	1,196,572
Receivables:	
Accounts receivable, net	191,839
Due from other funds	414,373
Total current assets	<u>3,269,894</u>
Bond issuance costs	46,894
Investment in water rights and stock	789,529
Property, plant and equipment:	
Land	75,004
Water distribution system	9,576,619
Machinery and equipment	311,557
Construction in progress	214,165
Accumulated depreciation	<u>(2,026,694)</u>
Net property, plant and equipment	<u>8,150,651</u>
Total assets	<u>12,256,968</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	203,971
Accrued liabilities	37,831
Compensated absences payable	8,408
Current portion of long-term debt	<u>63,961</u>
Total current liabilities	314,171
Long term debt	<u>3,013,783</u>
Total liabilities	<u>3,327,954</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,072,907
Unrestricted	<u>3,856,107</u>
Total net assets	<u><u>\$ 8,929,014</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund
For the Year Ended June 30, 2012

	<u>Water Fund</u>
<u>OPERATING REVENUES</u>	
Water sales	\$ 4,419,943
Total operating revenues	<u>4,419,943</u>
<u>OPERATING EXPENSES</u>	
Water purchases	746,551
Wages and fringe benefits	378,538
Maintenance and engineering	77,786
Office supplies, postage and insurance	17,295
Depreciation and amortization	440,151
Other	50,791
Total operating expenses	<u>1,711,112</u>
Operating income	<u>2,708,831</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest income	1,713
Interest expense	(75,147)
Connection and service fees	808,038
Total non-operating revenues	<u>734,604</u>
Income before contributions	3,443,435
Capital contributions	<u>100,000</u>
Change in net assets	3,543,435
Total net assets, beginning of year	<u>5,385,579</u>
Total net assets, end of year	<u><u>\$ 8,929,014</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2012

	<u>Water Fund</u>
<u>Cash flows from operating activities:</u>	
Cash received from customers (including cash deposits)	\$ 4,324,233
Cash paid to suppliers	(777,221)
Cash paid to employees	(368,227)
Net cash provided by operating activities	<u>3,178,785</u>
<u>Cash flows from non-capital financing activities:</u>	
Connection and impact fees	808,038
Increase (decrease) in due to/from other fund	(570,132)
Net cash provided by non-capital financing activities	<u>237,906</u>
<u>Cash flow from capital and related financing activities:</u>	
Payments on long-term debt	(2,213,366)
Proceeds from bonds	1,300,270
Interest paid on long-term debt	(75,147)
Interest income received	1,713
Purchase of capital assets	(2,543,901)
Net cash used by capital and related financing activities	<u>(3,530,431)</u>
Net increase (decrease) in cash and cash equivalents	(113,740)
Cash and cash equivalents at beginning of year	<u>2,777,422</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,663,682</u></u>

(Continued)

CITY OF BLUFFDALE, UTAH
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2012

	<u>Water Fund</u>
<u>Reconciliation of operating income to net cash provided</u>	
<u>by operating activities:</u>	
Operating income	\$ 2,708,831
Adjustments to reconcile operating income	
to net cash provided by operating activities:	
Depreciation and amortization expense	440,151
Changes in assets and liabilities:	
Increase in accounts receivable	(95,710)
Increase in accounts payable	115,202
Increase in accrued liabilities	10,311
Total adjustments	<u>469,954</u>
Net cash provided by operating activities	<u>\$ 3,178,785</u>
Capital and related financing activities not affecting cash:	
Developer contributions of capital assets	<u>\$ 100,000</u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Statement of Net Assets – Fiduciary Fund
June 30, 2012

	<u>Escrow Fund Total</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 196,347</u>
Total assets	<u>196,347</u>
<u>LIABILITIES</u>	
Construction and improvement bonds	<u>196,347</u>
Total liabilities	<u>196,347</u>
<u>NET ASSETS</u>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The basic financial statements of City of Bluffdale, Utah (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

The City of Bluffdale was incorporated in 1978. The City operates under a Council-Mayor form of government. 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 Redevelopment Agency of Bluffdale City (RDA) was established to prepare and carry out plans to improve, rehabilitate and redevelop blighted areas within the City. The RDA 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 RDA 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 RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund. Separate financial statements are not issued for the RDA.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City 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 intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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 which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. 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 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 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.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

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 Fund is used to account for financial resources to be used for the acquisition or construction of the major capital facilities of the City (other than those financed by proprietary funds).
- The SID Special Revenue Fund is used to account for financial resources and activities of the City's Special Improvement District.
- The Redevelopment Agency Special Revenue Fund is used to account for financial resources to be used for the re-vitalization of blighted areas within the City.

The City reports the following major proprietary fund:

- The Water Fund accounts for the activities of the City's water production, treatment and distribution operations.

Additionally, the City reports a fiduciary fund to account for construction and improvement bonds received from developers.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for the providing of administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 includes the cost of sales and services. Operating expenses for enterprise funds includes 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 Net Assets or Equity

Cash, Deposits and Investments 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 and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The State Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their 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.

Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". In the Water fund, the City records utility revenues billed to customers when meters are read on a monthly basis. Unbilled service accounts receivable at June 30, 2012 are not material and are not recorded.

Inventories and Prepaid Items Inventories of materials and supplies in the proprietary funds, consisting principally of materials used in the repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis (FIFO). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets Capital assets, which include property, plant, 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. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

As permitted by GASB Statement No. 34, the City has not retroactively recorded infrastructure assets.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Infrastructure	20 to 50 years
Machinery and equipment	5 to 7 years
Furniture and fixtures	5 to 10 years
Water distribution system	20 years

Compensated Absences For governmental funds amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Accumulated vacation leave is paid to employees upon termination or retirement.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations In the government-wide financial statements and 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, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is 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.

Restricted Assets Restricted assets are comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of bonds issued for capital construction purposes.

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 as reported 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 related items:

When capital assets (property, plant and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets and water stock	\$ 22,330,162
Accumulated depreciation	<u>(4,924,977)</u>
	<u>\$ 17,405,185</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet
and the Government-Wide Statement of Net Assets (Continued)**

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2012 were:

Sales Tax Revenue bonds	\$ 1,635,000
Special Improvement District bonds	2,588,000
Interest payable on long-term debt	82,880
Compensated absences	<u>69,078</u>
	<u><u>\$ 4,491,213</u></u>

**Explanation of Certain Differences Between Governmental Fund Operating
Statements and the Statement of Net Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays and contributions are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follow:

Capital outlays and contributions	\$ 2,050,336
Depreciation expense	<u>(966,385)</u>
	<u><u>\$ 1,083,951</u></u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- For the fiscal year beginning July 1, the Mayor submits a proposed budget to the City Council by the first City Council meeting in May. The budget includes proposed expenditures and the means of financing them.
- By passage of a resolution, the budget is legally enacted on or before June 15, after a public hearing has been held.
- Once adopted, the budget can be amended by subsequent City Council action. The budget officer is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund. Increased appropriations require a public hearing to amend the budget.
- Interim adjustments of estimated revenues and appropriations, during the year ended June 30, 2012, have been included in the final budget approved by the City Council, as presented in the basic financial statements.
- As determined by state law, the level by which expenditures may not legally exceed appropriations is the total departmental budgets within a given fund.
- Unencumbered appropriations lapse at the end of each fiscal year.

Annual budgets for the General Fund, all Special Revenue Funds and the Capital Projects Fund 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 actual versus such budgets for governmental funds.

The City Council made several supplemental budgetary appropriations throughout the year, including increases and decreases in the general fund. The expenditure appropriations for the fund increased \$866,115. The biggest increase was in Streets and Public Works for \$506,466. The other changes were generally spread among the functions and were for general operations items.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in two to three installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material. An accrual for current year property taxes estimated to be collected the following November and December is made each year.

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 30th 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, semi-annual, or annual basis. An accrual has not been made for fees due and payable to the City at June 30th as the amounts are not deemed to be material.

4. DETAILED NOTES FOR ALL FUNDS

Deposits and Investments

Utah State law establishes the rules and regulations for deposits and investments and is known as the Utah Money Management Act. The Act established the Money Management Council that promulgates additional rules and determines which financial institutions may qualify to hold deposits and investments for state and local entities. The City has complied with the Utah Money Management Act and rules of the Money Management Council with regard to deposits and investments.

As of June 30, 2012, the City's demand deposits amounted to \$1,363,440. Cash equivalents restricted for debt service invested in money market accounts amounted to \$700,683.

As of June 30, 2012, the City had investments in the Utah Public Treasurer's Investment Fund of \$7,974,274. The fund is not rated and the weighted average maturity was less than 90 days.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Deposits and Investments (Continued)

Custodial Credit Risk - Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2012, \$496,544 of the City's \$1,792,916 bank balance was insured by FDIC limits and, therefore, is not exposed to custodial credit risk. The Utah Money Management Act does not require deposits to be insured or collateralized and the City has no formal policy regarding deposit credit risk. The Act requires that the City keep deposits in a qualified depository, which the City has done.

Custodial Credit Risk - Investments. This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City has no formal policy regarding custodial credit risk for investments. Money invested in the Utah Public Treasurer's Investment Fund is pooled with many other state and local entities, and is managed by the Utah State Treasurer. The Fund is not categorized as to custodial credit risk.

Interest Rate Credit Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss from changes in interest rates is to follow the Utah Money Management Act and only invest in instruments that mature in one year or less. Investments within the Public Treasurer's Investment Fund have a weighted average maturity of less than ninety days.

Credit Risk is the risk that an issuer will not fulfill its obligations. The City policy is consistent with and complies with the Utah State Money Management Act. Investment is limited to U.S. Treasuries, U.S. Government Agency instruments, Utah Public Treasurer's Investment Fund, and other instruments that are rated A or higher by Standard & Poor's or Moody's. The City only invested in the Utah Public Treasurer's Investment Fund and U.S. Treasury securities during the year.

Concentration of Credit risk. City policy requires diversification and limits the amount that may be invested in the same company. First, the City may not invest more than 20% of its idle funds outside of the Utah Public Treasurer's Investment Fund. Second, not more than 10% of the total portfolio may be invested in a single company's credit instruments. The Utah Public Treasurer's Investment Fund is highly diversified and must comply with various rules of the Utah State Money Management Act and Money Management Council.

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	\$ 10,388,935
Restricted cash	<u>1,897,255</u>
	<u>\$ 12,286,190</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Accounts Receivable

Receivables as of year end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Taxes	\$ 935,625	\$ -	\$ 935,625
Accounts and others	148,430	200,839	349,269
Intergovernmental	57,684	-	57,684
	<hr/>	<hr/>	<hr/>
Gross receivables	1,141,739	200,839	1,342,578
Less: allowance for uncollectibles	<hr/>	<hr/>	<hr/>
	-	(9,000)	(9,000)
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$1,141,739</u>	<u>\$ 191,839</u>	<u>\$1,333,578</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the government funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ 687,370	\$ -
Property taxes receivable (Redevelopment Agency)	196,807	-
	<hr/>	<hr/>
Total deferred/unearned revenue, governmental funds	<u>\$ 884,177</u>	<u>\$ -</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2012 was as follows:

	<u>7/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>
<u>Governmental activities</u>				
Capital assets:				
Land	\$ 3,049,969	\$ 680,000	\$ -	\$ 3,729,969
Buildings	1,773,302	34,426	-	1,807,728
Infrastructure	13,526,448	1,185,083	-	14,711,531
Machinery and equipment	1,889,507	150,827	-	2,040,334
Total capital assets	20,239,226	2,050,336	-	22,289,562
Accumulated depreciation:				
Buildings	(480,008)	(62,553)	-	(542,561)
Infrastructure	(2,242,257)	(734,208)	-	(2,976,465)
Machinery and equipment	(1,236,327)	(169,624)	-	(1,405,951)
Total accumulated depreciation	(3,958,592)	(966,385)	-	(4,924,977)
Net governmental capital assets	\$16,280,634	\$ 1,083,951	\$ -	\$17,364,585

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets Continued

Capital asset activity for business-type activities for the year ended June 30, 2012 was as follows:

	<u>7/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>
<u>Business-type activities</u>				
Capital assets:				
Land	\$ 75,004	\$ -	\$ -	\$ 75,004
Water distribution system	5,831,251	3,745,368	-	9,576,619
Equipment	249,302	62,255	-	311,557
Construction in progress	1,377,887	214,165	(1,377,887)	214,165
 Total capital assets	 7,533,444	 4,021,788	 (1,377,887)	 10,177,345
Accumulated depreciation:				
Water distribution system	(1,479,060)	(338,502)	-	(1,817,562)
Equipment	(166,307)	(42,825)	-	(209,132)
 Total accumulated depreciation	 (1,645,367)	 (381,327)	 -	 (2,026,694)
 Net business-type capital assets	 <u>\$ 5,888,077</u>	 <u>\$ 3,640,461</u>	 <u>\$ (1,377,887)</u>	 <u>\$ 8,150,651</u>

In the government-wide financial statements depreciation was charged as follows by program or activity:

Governmental activities:	
General government	\$ 39,779
Public safety	122,338
Highways and public improvements	737,152
Parks and recreation	67,116
 Total depreciation expense - governmental activities	 <u>\$ 966,385</u>
Business-type activities:	
Water	\$ 381,327
 Total depreciation expense - business-type activities	 <u>\$ 381,327</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds

The City has issued bonds where the revenues and assets of the issuing fund are pledged as security for the bonds.

Revenue bonds outstanding at June 30, 2012, by issue, are as follows:

<u>Bond Description</u>	<u>Original Issue</u>	<u>Annual Principal</u>	<u>Interest Rate</u>	<u>Final Due Date</u>	<u>Outstanding as of 6/30/12</u>
Sales Tax Series 2005	\$ 2,000,000	\$20,000 to \$170,000	3.25% to 4.50%	2/1/2024	\$ 1,635,000
Special Improvement District Series 2007	3,933,000	\$200,000 to \$420,000	4.30%	12/1/2019	2,588,000
Water Revenue Series 2007	1,223,000	\$3,000 to \$48,000	4.375%	4/1/2048	1,170,018
Water Revenue Series 2011	3,573,000	\$50,000 to \$248,000	3.19%	6/1/2031	1,900,270
	<u>\$10,729,000</u>				<u>\$ 7,293,288</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2013	\$ 451,961	\$ 339,695	\$ 791,656
2014	514,482	321,446	835,928
2015	551,129	300,985	852,114
2016	604,805	279,027	883,832
2017	629,512	255,241	884,753
2018 - 2022	2,730,310	898,550	3,628,860
2023 - 2027	928,623	427,718	1,356,341
2028 - 2032	146,026	178,224	324,250
2033 - 2037	181,706	142,545	324,251
2038 - 2042	226,103	98,147	324,250
Thereafter	328,631	43,779	372,410
	<u>\$ 7,293,288</u>	<u>\$ 3,285,357</u>	<u>\$ 10,578,645</u>

In June 2011, the City issued \$3,573,000 in Water Revenue Bonds Series 2011, of which \$1,900,270 has been distributed and is outstanding at June 30, 2012. The bonds are used for a project to expand the water main trunk line out to Redwood Road.

In March 2011, the City issued \$2,220,000 in Water Facility Revenue Bonds Series 2011, which will be used to supplement the water main trunk line expansion project. The bonds were repaid with impact fees received during the year ended June 30, 2012.

Capital Lease

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2012 were as follows:

	Total
2013	\$ 23,770
2014	23,770
2015	23,770
2016	23,770
2017	23,770
Thereafter	11,440
	<u>130,290</u>
Lease amount representing interest	(14,035)
Present value of minimum lease payments	116,255
Amount due within one year	(19,412)
Amount due after one year	<u>\$ 96,843</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>7/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2012</u>	<u>Due in One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Special improvement district	\$2,854,000	\$ -	\$ (266,000)	\$2,588,000	\$ 278,000
Sales tax revenue	1,740,000	-	(105,000)	1,635,000	110,000
Total bonds payable	<u>4,594,000</u>	<u>-</u>	<u>(371,000)</u>	<u>4,223,000</u>	<u>388,000</u>
Lease payable	134,930	-	(18,675)	116,255	19,412
Compensated absences	55,862	47,990	(34,774)	69,078	43,000
Governmental activity long-term liabilities	<u>\$4,784,792</u>	<u>\$ 47,990</u>	<u>\$ (424,449)</u>	<u>\$4,408,333</u>	<u>\$ 450,412</u>
<u>Business-type activities</u>					
Bonds payable:					
Water revenue	\$1,783,384	\$ 1,300,270	\$ (13,366)	\$3,070,288	\$ 63,961
Water facilities revenue	2,200,000	-	(2,200,000)	-	-
Total bonds payable	3,983,384	1,300,270	(2,213,366)	3,070,288	63,961
Vacation payable	15,310	8,545	(7,991)	15,864	8,408
Business-type activity long-term liabilities	<u>\$3,998,694</u>	<u>\$ 1,308,815</u>	<u>\$ (2,221,357)</u>	<u>\$3,086,152</u>	<u>\$ 72,369</u>

Interfund Transfers

During the course of normal operations, transfers are made between funds. The following table summarizes the transfers made during the year:

Transfers out	Transfers in		
	General	Capital Projects	Total
General fund	\$ -	\$ 363,000	\$ 363,000
Redevelopment agency	196,800	-	196,800
Totals	<u>\$ 196,800</u>	<u>\$ 363,000</u>	<u>\$ 559,800</u>

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information

Risk Management The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance through the Utah Local Government Insurance Trust for all of these risks of loss. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

City Management estimates that the amount of other actual or potential claims against the City as of June 30, 2012 will not materially affect the financial condition of the City.

Redevelopment Agency In connection with the activities of the Redevelopment Agency (RDA), incremental tax revenues totaling \$1,840,622 were generated. The RDA was not required to pay any portion of this revenue to other taxing agencies. There is no outstanding debt of the RDA at June 30, 2012.

During the year ended June 30, 2012, funds expended by the RDA were limited to the category of administration costs totaling \$146,444.

Employee Retirement Systems and Pension Plans The City contributes to the Local Governmental Contributory Retirement System (hereafter referred to as the Systems) which is cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (URS). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

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 Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy Plan members in the Local Government Contributory Retirement System are required to contribute 6.00 percent of their annual covered salary (all or part may be paid by the employer for the employee), and the City is required to contribute 9.76 percent of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CITY OF BLUFFDALE, UTAH
Notes to the Financial Statements (Continued)
June 30, 2012

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Other Information (Continued)

The City's contributions in dollars to each of the Systems for the years ending June 30, 2012, 2011 and 2010, were equal to the required contributions for each year. The contribution amounts are as follows:

	2012	2011	2010
Local Governmental Contributory Retirement System	\$ 110,956	\$ 90,417	\$ 72,579

Deferred Compensation Plan Under the URS, the City offers its employees a Deferred Compensation Plan (the Plan) in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The payment of deferred compensation is not available to employees until termination, retirement, death, or emergency. The City's contributions to the 457 Deferred Compensation Plan were \$26,235, \$25,905, and \$26,619 for the years ended June 30, 2012, 2011 and 2010, respectively.

Defined Contribution Plans The 401(k) plan provided by URS is a multiple-employer defined contribution plan. All employees of the City who participate in the URS contributory, noncontributory, or public safety system are eligible to participate in the plan. Employees are immediately 100 percent vested in their contributions to the plan. Employee contributions to the 401(k) plan and the Deferred Compensation Plan are voluntary. Employer contributions are also voluntary and are intended to standardize the contribution rates for all full time employees participating in the URS. The City's contributions to the 401(k) plan were \$65,470, \$55,557, and \$56,864 for the years ended June 30, 2012, 2011 and 2010, respectively.

CITY OF BLUFFDALE, UTAH
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Capital Projects Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				(Negative)
<u>REVENUES</u>				
Special assessments	\$ 335,000	\$ 815,773	\$ 867,442	\$ 51,669
Charges for services	1,205,170	65,170	84,375	19,205
Interest	-	-	27,511	27,511
Total revenues	<u>1,540,170</u>	<u>880,943</u>	<u>979,328</u>	<u>98,385</u>
<u>EXPENDITURES</u>				
Streets and public works	2,342,000	1,923,000	872,282	1,050,718
Debt service	197,170	197,170	172,208	24,962
Total expenditures	<u>2,539,170</u>	<u>2,120,170</u>	<u>1,044,490</u>	<u>1,075,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(999,000)</u>	<u>(1,239,227)</u>	<u>(65,162)</u>	<u>1,174,065</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	1,096,000	1,628,227	363,000	(1,265,227)
Transfers out	(467,829)	(687,169)	-	687,169
Total other financing sources (uses)	<u>628,171</u>	<u>941,058</u>	<u>363,000</u>	<u>(578,058)</u>
Net change in fund balance	(370,829)	(298,169)	297,838	596,007
Fund balance at beginning of year	<u>3,821,769</u>	<u>3,821,769</u>	<u>3,821,769</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,450,940</u>	<u>\$ 3,523,600</u>	<u>\$ 4,119,607</u>	<u>\$ 596,007</u>

Hansen, Bradshaw, Malmrose & Erickson

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council
City of Bluffdale, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bluffdale, Utah ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The City's response to our finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 27, 2012

Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT ON COMPLIANCE IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Major and City Council
City of Bluffdale, Utah

We have audited City of Bluffdale, Utah's ("the City") compliance with general and major State assistance program compliance requirements described in the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2012.

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

Cash Management	Impact Fees
Budgetary Compliance	Justice Courts
Truth in Taxation and Property	Purchasing Requirements
Tax Limitation	URS Compliance
Liquor Law Enforcement	B & C Road Funds
Public Debt	Fund Balance
Asset Forfeiture	Other Compliance Requirements

The City received the following major State assistance program from the State of Utah:

B & C Road Funds (Department of Transportation)

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of Utah Legal Compliance Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirement identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying schedule of findings. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Bluffdale, Utah complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major State programs for the year ended June 30, 2012. 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.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

October 27, 2012

CITY OF BLUFFDALE, UTAH
Schedule of Findings
For the Year Ended June 30, 2012

Requirement/Program

Current Year Findings

1. Budgetary Compliance

Finding: State law requires that officers and employees of an entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department. For the year ended June 30, 2012, expenditures exceeded budgeted amounts in the following department:

<u>Fund</u>	<u>Department</u>	<u>Amount Over Budget</u>
General	Parks and recreation	\$36,213

Recommendation: The City should monitor the status over expenditures as compared to the budget through the year and amend the budget as necessary.

Management's Response: In the future, the City will monitor the expenditures on a monthly basis to ensure that individual department budgets don't exceed beyond their original budget or amended budgets.