CITY OF BLUFFDALE, UTAH

Basic Financial Statements and Supplementary Information

Year Ended June 30, 2010

CITY OF BLUFFDALE, UTAH

Table of Contents

Page

FINANCIAL SECTION

Report of Independent Certified Public Accountants 1-2
Management's Discussion and Analysis 3-11

Basic Financial Statements:
Entity-wide Financial Statements:
Statement of Net Assets 12
Statement of Activities 13

Fund Financial Statements:
Balance Sheet - Governmental Funds 14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities 17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund 18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Special Improvement District – Special Revenue Fund 19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Redevelopment Agency – Special Revenue Fund 20
Statement of Net Assets - Proprietary Fund 21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund 22
Statement of Cash Flows - Proprietary Fund 23-24
Statement of Net Assets – Fiduciary Fund 25

Notes to Financial Statements 26-43

CITY OF BLUFFDALE, UTAH

Table of Contents

Page

FINANCIAL SECTION (CONTINUED)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Capital Projects Fund 44

COMPLIANCE SECTION

Report of Independent Certified Public Accountants on Compliance With Laws and Regulations and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards* 45-46

State Legal Compliance Reports:

Report of Independent Certified Public Accountants on State of Utah State Legal Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 47-48

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA

Robert D. Wood, CPA
Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

Members of the American Institute of Certified Public Accountants

Members of the Private Company Practice Section

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, 2010, 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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 basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 27, 2010

14350 SOUTH 2200 WEST * Bluffdale, UT 84065 * 801-254-2200 * Fax 801-253-3270

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, 2010.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $20,797,006. 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 $1,088,727 during 2010. 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 unreserved fund balance for the general fund was $244,873 or approximately 6.76 percent of total general fund expenditures. The unreserved fund balance for the general fund increased by $579 from the previous year.
- The City's total outstanding long-term liabilities experienced a net decrease of $362,781. The major decrease was 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'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.

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).

Overview of the Financial Statements (Continued)

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 12-13 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.

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, the redevelopment agency special revenue fund, the special improvement district special revenue fund, and the capital improvements fund, which are considered major funds. Financial information for the other fund is shown in a separate column. The basic governmental fund financial statements can be found on pages 14-16 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.

Overview of the Financial Statements (Continued)

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 21-24 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 25 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 26-43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Included is the budget-to-actual comparison for the capital projects fund.

Overview of the Financial Statements (Continued)

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, 2010, the City's assets exceeded liabilities by $20,797,006. The largest portion (58.1 percent) of the City's net assets is composed of Capital assets used to provide services to citizens which 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 (20 percent) can be used to spend in the future with no restrictions. As in contrast with restricted assets (21.9 percent), which are assets restricted for a specific purpose, in this case for debt service and impact fees.

City of Bluffdale's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 8,609,960	$ 7,348,325	$ 2,099,488	$ 1,974,906	$ 10,709,448	$ 9,323,231
Capital assets	13,972,693	13,851,055	4,258,983	4,153,009	18,231,676	18,004,064
Total assets	22,582,653	21,199,380	6,358,471	6,127,915	28,941,124	27,327,295
Other liabilities	2,194,199	1,361,245	154,985	100,056	2,349,184	1,461,301
Long-term liabilities outstan	4,607,652	4,958,991	1,187,282	1,198,724	5,794,934	6,157,715
Total liabilities	6,801,851	6,320,236	1,342,267	1,298,780	8,144,118	7,619,016
Net assets:						
Invested in capital assets, net of related debt	9,018,519	8,567,715	3,058,907	2,942,038	12,077,426	11,509,753
Restricted	3,804,515	3,759,149	749,229	-	4,553,744	3,759,149
Unrestricted	2,957,768	2,552,280	1,208,068	1,887,097	4,165,836	4,439,377
Total net assets	$ 15,780,802	$ 14,879,144	$ 5,016,204	$ 4,829,135	$ 20,797,006	$ 19,708,279

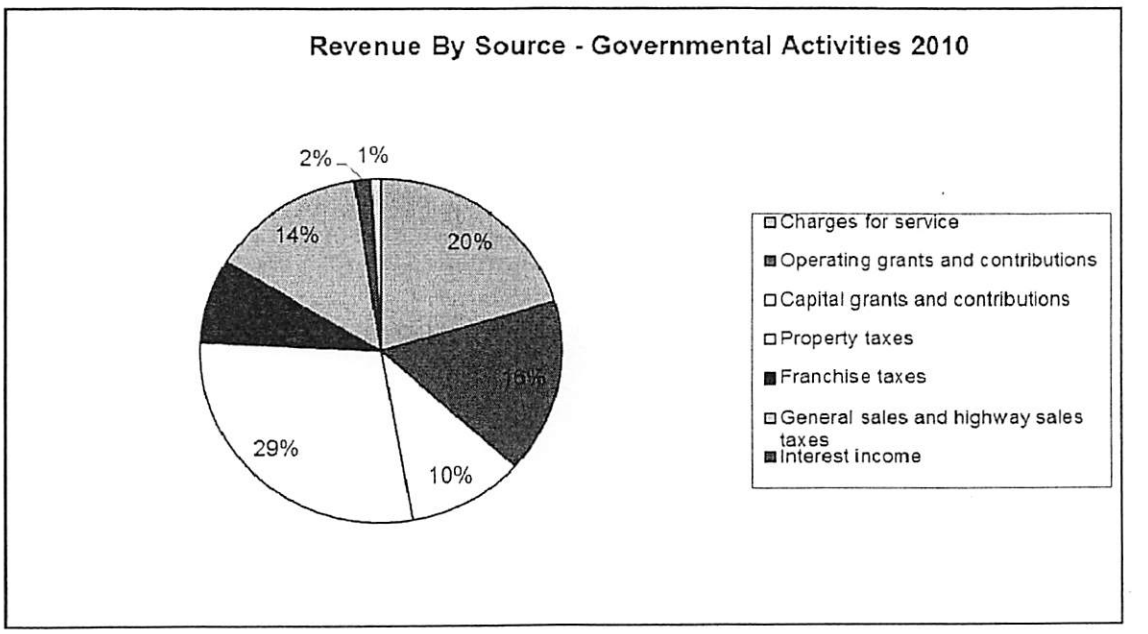
Government-wide Financial Analysis (Continued)

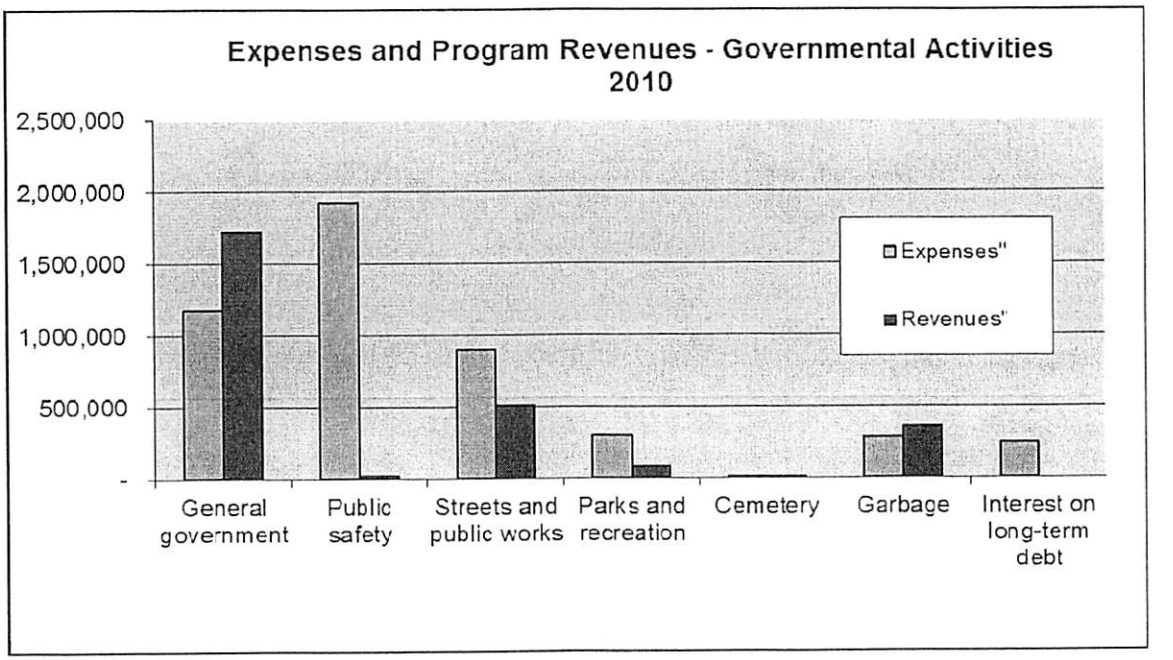
Governmental activities. Governmental activities increased the City's net assets by $901,658, accounting for 83 percent of the total growth in net assets. Business-type activities increased the City's net assets by $187,069 accounting for 17 percent of the total growth in net assets. This increase in both activities was the result of investment in infrastructure for the City.

City of Bluffdale's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	$ 1,169,334	$ 1,109,729	$ 1,173,293	$ 1,227,371	$ 2,342,627	$ 2,337,100
Operating grants and contributions	941,606	540,142	-	-	941,606	540,142
Capital grants and contributions	596,617	4,411,035	288,120	878,750	884,737	5,289,785
General revenues:						
Property taxes	1,641,681	1,474,160	-	-	1,641,681	1,474,160
Sales tax and highway tax	801,429	1,132,759	-	-	801,429	1,132,759
Franchise taxes	451,521	167,988	-	-	451,521	167,988
Interest income	82,972	166,605	-	-	82,972	166,605
Transfers, net	-	(1,223,000)	-	1,223,000	-	-
Loss on sale of assets	-	(65,250)	-	-	-	(65,250)
Other	50,592	54,188	-	-	50,592	54,188
Total revenues	5,735,752	7,768,356	1,461,413	3,329,121	7,197,165	11,097,477
Expenses:						
General government	1,171,596	1,365,632	-	-	1,171,596	1,365,632
Public safety	1,922,654	1,630,973	-	-	1,922,654	1,630,973
Streets and public works	893,917	750,617	-	-	893,917	750,617
Parks and recreation	299,839	298,068	-	-	299,839	298,068
Cemetery	3,619	2,791	-	-	3,619	2,791
Garbage	285,838	269,478	-	-	285,838	269,478
Interest on long-term debt	256,631	270,328	-	-	256,631	270,328
Water	-	-	1,274,344	1,217,368	1,274,344	1,217,368
Total expenses	4,834,094	4,587,887	1,274,344	1,217,368	6,108,438	5,805,255
Increase in net assets	901,658	3,180,469	187,069	2,111,753	1,088,727	5,292,222
Net assets, beginning	14,879,144	11,698,675	4,829,135	2,717,382	19,708,279	14,416,057
Net assets, ending	$ 15,780,802	$ 14,879,144	$ 5,016,204	$ 4,829,135	$ 20,797,006	$ 19,708,279

Government-wide Financial Analysis (Continued)





Government-wide Financial Analysis (Continued)

Business-type activities. Business-type activities increased the City's net assets by $187,069 accounting for 17 percent of the total growth in the government's net assets. The key elements of this slight increase are revenues exceeding expenses. 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 6,434,097 an increase of $483,387 in comparison with prior year. Of the ending fund balance, 40.9 percent ($2,629,582) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service ($315,909), 2) to pay for debt service and construction of capital assets ($391,673), 3) construction of capital assets funded by impact fees ($3,096,933).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was $244,873 while total fund balance was $772,999. 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. Unreserved fund balance represents 6.76 percent of total general fund expenditures.

The City's total general fund balance experienced a $528,705 increase during the current fiscal year. The majority of the increase is due to using restricted road funds balances to do some major road repairs and making a transfer from the Capital Projects fund. Unrestricted fund balance increased $579 in comparison with prior year. These funds are available to spend at the City's discretion.

The capital projects fund has a total fund balance of $3,982,268. Of that amount $315,909 is reserved for 1) retirement of debt, 2) $1,097,552 for various capital projects at the City's discretion, and 3) $2,568,807 construction of capital assets funded by impact fees. The fund balance decreased $557,234 from the previous year.

Financial Analysis of the Government's Funds (Continued)

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 $5,016,204. Net assets increased $187,069 from the preceding year. The majority of the increase was due to revenues exceeding expenses for the fiscal year.

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, 2010 amounts to $18,231,676 (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, $227,612 from the preceding year. The majority of the increase was from infrastructure from developer's contributions.

City of Bluffdale's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 2,582,462	$ 2,582,462	$ 4,703	$ 4,703	$ 2,587,165	$ 2,587,165
Buildings	1,352,404	1,411,514	-	-	1,352,404	1,411,514
Infrastructure	9,425,805	9,210,632	-	-	9,425,805	9,210,632
Water distribution system	-	-	4,133,176	4,009,236	-	4,009,236
Machinery and equipment	612,022	646,447	121,104	139,070	733,126	785,517
Total	$ 13,972,693	$ 13,851,055	$ 4,258,983	$ 4,153,009	$ 14,098,500	$ 18,004,064

Capital Assets and Debt Administration (Continued)

Long-term debt. At the end of the current fiscal year, the City had $6,193,000 in outstanding long-term debt. The City's total debt decreased $350,000 during fiscal year 2010.

City of Bluffdale's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
SID revenue bonds	$ 3,110,000	$ 3,355,000	$ -	$ -	$ 3,110,000	$ 3,355,000
Sales tax revenue bonds	1,840,000	1,940,000	-	-	1,840,000	1,940,000
Water revenue	-	-	1,196,000	1,208,000	1,196,000	1,208,000
Vacation payable	36,000	32,000	11,000	8,000	47,000	40,000
Total	$ 4,986,000	$ 5,327,000	$ 1,207,000	$ 1,216,000	$ 6,193,000	$ 6,543,000

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 four years ago in the amount of approximately 35% as a result in the City holding a Truth in Taxation hearing.

Building permits have declined at a rapid pace with the slowdown in the economy 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 approximately a fifteen percent decline, which is very concerning to the City in its financial picture. The City has adopted an assessment within one of its special improvement districts during fiscal year 2008. The assessment will be used to construct roads and install other necessary infrastructure such as water, sewer, and storm sewer lines. The cost of the capital improvements was $4,370,000 and bonds were issued in that amount. The City is looking forward to new development and is taking progressive steps to ensure that the community is developed in the most responsible manner possible.

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, 2010

	Governmental Activities	Business-type Actitities	Total
ASSETS			
Cash and cash equivalents	$ 5,495,727	$ 365,247	$ 5,860,974
Receivables:			
Property and other taxes	1,719,966	-	1,719,966
Accounts	170,719	125,548	296,267
Due from other governments	58,633	-	58,633
Bond issuance costs	457,333	5,015	462,348
Investment in water stock and rights	-	789,529	789,529
Restricted cash	707,582	814,149	1,521,731
Capital assets:			
Land	2,582,462	4,703	2,587,165
Buildings	1,773,302	-	1,773,302
Machinery and equipment	1,680,519	249,302	1,929,821
Distribution and collection systems	-	5,401,626	5,401,626
Infrastructure	10,991,740	-	10,991,740
Accumulated depreciation	(3,055,330)	(1,396,648)	(4,451,978)
Total assets	**22,582,653**	**6,358,471**	**28,941,124**
LIABILITIES			
Accounts payable	142,578	125,136	267,714
Accrued interest payable	96,988	-	96,988
Accrued liabilites	856,108	10,027	866,135
Deferred revenue	719,844	-	719,844
Non-current liabilities:			
Due within one year	378,681	19,822	398,503
Due in more than one year	4,607,652	1,187,282	5,794,934
Total liabilities	**6,801,851**	**1,342,267**	**8,144,118**
NET ASSETS			
Invested in capital assets, net of debt	9,018,519	3,058,907	12,077,426
Restricted for:			
Debt service	707,582	-	707,582
Capital projects	3,096,933	749,229	3,846,162
Unrestricted	2,957,768	1,208,068	4,165,836
Total net assets	**$ 15,780,802**	**$ 5,016,204**	**$ 20,797,006**

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

CITY OF BLUFFDALE, UTAH
Statement of Activities
For the Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVTITIES							
General government	$ 1,171,596	$ 803,869	$ 919,690	$ -	$ 551,963		$ 551,963
Public safety	1,922,654	-	21,916	-	(1,900,738)		(1,900,738)
Streets and public works	893,917	-	-	512,215	(381,702)		(381,702)
Parks and recreation	299,839	-	-	84,402	(215,437)		(215,437)
Cemetery	3,619	5,400	-	-	1,781		1,781
Garbage	285,838	360,065	-	-	74,227		74,227
Interest on long-term debt	256,631	-	-	-	(256,631)		(256,631)
Total governmental activities	4,834,094	1,169,334	941,606	596,617	(2,126,537)		(2,126,537)
BUSINESS TYPE ACTIVITIES							
Water	1,274,344	1,173,293	-	288,120		$ 187,069	187,069
Total business-type activities	1,274,344	1,173,293	-	-		187,069	187,069
GENERAL REVENIES							
Taxes:							
Property taxes					1,641,681	-	1,641,681
Franchise taxes					451,521	-	451,521
General sales taxes and highway sales taxes					801,429	-	801,429
Interest income					82,972	-	82,972
Miscellaneous					50,592	-	50,592
Total general revenues					3,028,195	-	3,028,195
Change in net assets					901,658	187,069	1,088,727
Net assets - beginning					14,879,144	4,829,135	19,708,279
Net assets - ending					$ 15,780,802	$ 5,016,204	$ 20,797,006

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

CITY OF BLUFFDALE, UTAH
Balance Sheet – Governmental Funds
June 30, 2010

	General	Special Revenue Funds: Improvement District	Special Revenue Funds: Redevelopment Agency	Capital Projects Fund	Cemetery Perpetual Care (Nonmajor)	Totals Governmental Funds
ASSETS						
Cash and cash equivalents	$ 530,404	$ 518,772	$ 758,004	$ 3,677,047	$ 11,500	$ 5,495,727
Restricted cash and investments	-	391,673	-	315,909	-	707,582
Receivables:						
Sales, property and franchise taxes	942,836	-	777,130	-	-	1,719,966
Accounts	170,574	-	-	145	-	170,719
Class C road funds	58,633	-	-	-	-	58,633
Total assets	$ 1,702,447	$ 910,445	$ 1,535,134	$ 3,993,101	$ 11,500	$ 8,152,627
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$ 130,626	$ -	$ 1,119	$ 10,833	$ -	$ 142,578
Accrued liabilities	78,978	-	777,130	-	-	856,108
Deferred revenue - property taxes	719,844	-	-	-	-	719,844
Total liabilities	929,448	-	778,249	10,833	-	1,718,530
Fund balances:						
Reserved:						
Retirement of debt	-	-	-	315,909	-	315,909
Impact fees	-	-	-	2,568,807	-	2,568,807
Class C road projects	528,126	-	-	-	-	528,126
Debt service and construction	-	391,673	-	-	-	391,673
Unreserved, reported in						
General fund	244,873	-	-	-	-	244,873
Special revenue funds	-	518,772	756,885	-	-	1,275,657
Capital projects fund	-	-	-	1,097,552	-	1,097,552
Permanent fund	-	-	-	-	11,500	11,500
Total fund balances	772,999	910,445	756,885	3,982,268	11,500	6,434,097
Total liabilities and fund balances	$ 1,702,447	$ 910,445	$ 1,535,134	$ 3,993,101	$ 11,500	$ 8,152,627

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, 2010

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

Total Fund Balances - Total Governmental Funds (page 14)	$	6,434,097
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		13,972,693
Other long-term assets are not available for current period expenditures and are therefore deferred in the funds balance sheet.		457,333
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(5,083,321)
Net Assets - Governmental Activities (page 12)	$	15,780,802

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, 2010

		Special Revenue Funds			Cemetery	Totals
	General	Improvement District	Redevelopment Agency	Capital Projects Fund	Perpetual Care (Nonmajor)	Governmental Funds
REVENUES						
Taxes	$ 2,117,501	$ -	$ 777,130	$ -	$ -	$ 2,894,631
Special assessments	278,263	398,780	-	242,647	-	919,690
Licenses and permits	201,942	-	-	-	-	201,942
Charges for services	412,847	-	-	-	-	412,847
Intergovernmental	21,916	-	-	84,402	-	106,318
Garbage	360,065	-	-	-	-	360,065
Fines and forfeitures	189,080	-	-	-	-	189,080
Cemetery	5,400	-	-	-	-	5,400
Interest	20,286	6,036	4,701	51,949	-	82,972
Miscellaneous	50,592	-	-	-	-	50,592
Total revenues	3,657,892	404,816	781,831	378,998	-	5,223,537
EXPENDITURES						
General government	1,032,381	-	257,466	-	-	1,289,847
Public safety	1,402,409	-	-	-	-	1,402,409
Streets and public works	656,819	-	-	249,415	-	906,234
Parks and recreation	243,950	-	-	-	-	243,950
Cemetery	3,619	-	-	-	-	3,619
Garbage	285,838	-	-	-	-	285,838
Debt service:				-		
Principal retirement	-	245,000	-	100,000	-	345,000
Interest and fiscal charges	-	144,265	-	118,988	-	263,253
Total expenditures	3,625,016	389,265	257,466	468,403	-	4,740,150
Excess of revenues over (under) expenditures	32,876	15,551	524,365	(89,405)	-	483,387
OTHER FINANCING SOURCES (USES)						
Transfers in	495,829	-	-	-	-	495,829
Transfers out	-	-	(28,000)	(467,829)	-	(495,829)
Total other financing sources (uses)	495,829	-	(28,000)	(467,829)	-	-
Net change in fund balance	528,705	15,551	496,365	(557,234)	-	483,387
Fund balance, beginning of year	244,294	894,894	260,520	4,539,502	11,500	5,950,710
Fund balance, end of year	$ 772,999	$ 910,445	$ 756,885	$ 3,982,268	$ 11,500	$ 6,434,097

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, 2010

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)	$	483,387
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.		121,638
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		345,000
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.		(48,367)
Change in net assets - governmental activities (page 13)	$	901,658

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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positve (Negative)
REVENUES				
Taxes	$ 2,100,726	$ 1,986,500	$ 2,117,501	$ 131,001
Special assessments	280,000	260,000	278,263	18,263
Licenses and permits	140,000	180,000	201,942	21,942
Charges for service	426,500	480,500	412,847	(67,653)
Intergovernmental	18,200	36,000	21,916	(14,084)
Garbage	345,000	360,000	360,065	65
Fines and forfeitures	141,000	171,000	189,080	18,080
Cemetery	5,000	5,000	5,400	400
Interest	5,000	15,000	20,286	5,286
Miscellaneous	35,000	40,000	50,592	10,592
Contributions and transfers	265,143	437,519	495,829	58,310
Total revenues	3,761,569	3,971,519	4,153,721	182,202
EXPENDITURES				
General government				
City council	25,500	25,500	22,501	2,999
Mayor	10,300	10,300	9,211	1,089
Administration	471,253	471,253	470,951	302
Facilities	60,310	60,310	50,987	9,323
Planning and zoning	102,660	102,660	86,235	16,425
Risk management	70,500	70,500	66,342	4,158
Court	145,854	170,854	165,359	5,495
Building inspection	99,234	99,234	81,196	18,038
Code enforcement	84,674	84,674	79,599	5,075
Public safety				
Fire and ambulance	657,117	695,617	641,427	54,190
Law enforcement	656,700	841,150	760,982	80,168
Streets and public works	675,608	741,608	656,819	84,789
Parks and recreation	314,859	321,859	243,950	77,909
Cemetery	6,500	6,500	3,619	2,881
Garbage	325,000	300,000	285,838	14,162
Transfers	42,360	80,860	-	80,860
Total expenditures	3,748,429	4,082,879	3,625,016	457,863
Net change in fund balance	13,140	(111,360)	528,705	640,065
Fund balance, beginning of year	244,294	244,294	244,294	-
Fund balance, end of year	$ 257,434	$ 132,934	$ 772,999	$ 640,065

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, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Special assessments	$ 392,960	$ 392,960	$ 398,780	$ 5,820
Interest	15,000	15,000	6,036	(8,964)
Total revenues	407,960	407,960	404,816	(3,144)
EXPENDITURES				
Debt service	407,960	552,960	389,265	163,695
Total expenditures	407,960	552,960	389,265	163,695
Net change in fund balance	-	(145,000)	15,551	160,551
Fund balance at beginning of year	894,894	894,894	894,894	-
Fund balance at end of year	$ 894,894	$ 749,894	$ 910,445	$ 160,551

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, 2010

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 722,000	$ 722,000	$ 777,130	$ 55,130
Interest	5,000	5,000	4,701	(299)
Total revenue	727,000	727,000	781,831	54,831
EXPENDITURES				
General government	576,000	601,000	257,466	343,534
Total expenditures	576,000	601,000	257,466	343,534
Excess of revenues over expenditures	151,000	126,000	524,365	398,365
OTHER FINANCING SOURCES (USES)				
Transfer out	(151,000)	(126,000)	(28,000)	98,000
Net change in fund balance	-	-	496,365	496,365
Fund balance, beginning of year	260,520	260,520	260,520	-
Fund balance, end of year	$ 260,520	$ 260,520	$ 756,885	$ 496,365

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

CITY OF BLUFFDALE, UTAH
Statement of Net Assets – Proprietary Fund
June 30, 2010

	Water Fund
ASSETS	
Current assets:	
Cash and cash equivalents - unrestricted	$ 365,247
Cash and cash equivalents - restricted	814,149
Accounts receivable, net	125,548
Total current assets	1,304,944
Bond issuance costs	5,015
Investment in water rights and stock	789,529
Property, plant and equipment:	
Land	4,703
Water distribution system	5,401,626
Machinery and equipment	249,302
Accumulated depreciation	(1,396,648)
Net property, plant and equipment	4,258,983
Total assets	6,358,471
LIABILITIES	
Current liabilities:	
Accounts payable	125,136
Accrued liabilities	10,027
Compensated absences payable	7,028
Current portion of long-term debt	12,794
Total current liabilities	154,985
Long term debt	1,187,282
Total liabilities	1,342,267
NET ASSETS	
Invested in capital assets, net of related debt	3,058,907
Restricted for impact fees	749,229
Unrestricted	1,208,068
Total net assets	$ 5,016,204

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, 2010

	Water Fund
OPERATING REVENUES	
Water sales	$ 1,135,095
Total operating revenues	1,135,095
OPERATING EXPENSES	
Water purchases	570,908
Wages and fringe benefits	272,728
Maintenance and engineering	115,391
Office supplies, postage and insurance	14,619
Depreciation and amortization	231,053
Other	17,020
Total operating expenses	1,221,719
Operating income (loss)	(86,624)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	4,025
Interest expense	(52,625)
Connection and service fees	34,173
Total non-operating revenues	(14,427)
Income before transfers and contributions	(101,051)
Capital contributions	288,120
Change in net assets	187,069
Total net assets, beginning of year	4,829,135
Total net assets, end of year	$ 5,016,204

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, 2010

	Water Fund
Cash flows from operating activities:	
Cash received from customers (including cash deposits)	$ 1,121,246
Cash paid to suppliers	(667,614)
Cash paid to employees	(268,670)
Net cash provided by operating activities	184,962
Cash flows from non-capital financing activities:	
Connection and impact fees	34,173
Net cash provided by non-capital financing activities	34,173
Cash flow from capital and related financing activities:	
Payments on long-term debt	(10,895)
Interest paid on long-term debt	(52,625)
Interest income received	4,025
Purchase of capital assets and water stock	(48,757)
Net cash provided (used) by capital and related financing activities	(108,252)
Net increase in cash and cash equivalents	110,883
Cash and cash equivalents at beginning of year	1,068,513
Cash and cash equivalents at end of year	$ 1,179,396

(Continued)

CITY OF BLUFFDALE, UTAH
Statement of Cash Flows – Proprietary Fund (Continued)
For the Year Ended June 30, 2010

	Water Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (86,624)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization expense	231,053
Decrease in accounts receivable	(13,849)
Increase in accounts payable	50,324
Increase in accrued liabilities	4,058
Total adjustments	271,586
Net cash provided by operating activities	$ 184,962
Capital and related financing activities not affecting cash:	
Developer contributions of capital assets	$ 288,120

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

CITY OF BLUFFDALE, UTAH
Statement of Net Assets – Fiduciary Fund
June 30, 2010

	Escrow Fund Total
ASSETS	
Cash and cash equivalents	$ 161,185
Total assets	161,185
LIABILITIES	
Construction and improvement bonds	161,185
Total liabilities	161,185
NET ASSETS	
Unrestricted	-
Total net assets	$ -

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

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.

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.

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 finds 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.

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, 2010 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.

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.

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	$ 17,028,023
Accumulated Depreciation	(3,055,330)
	$ 13,972,693

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, 2010 were:

Sales Tax Revenue bonds	$ 1,840,000
Special Improvement District bonds	3,110,000
Interest payable on long-term debt	96,988
Compensated absences	36,333
	$ 5,083,321

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 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 outlay	$ 844,025
Depreciation expense	(722,387)
Net difference, as reported	$ 121,638

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, 2010, 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 $334,450. The biggest increase was in Public Safety – Law Enforcement for $184,450. The other changes were generally spread among the functions and were for general operations items.

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, 2010, the City's demand deposits amounted to $224,200. Cash equivalents restricted for debt service invested in money market accounts amounted to $707,582.

As of June 30, 2010, the City had investments in the Utah Public Treasurer's Investment Fund of $6,477,754. The fund is not rated and the weighted average maturity was less than 90 days.

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, 2010, $383,304 of the City's $462,987 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	$ 5,860,974
Restricted cash	1,521,731
	$ 7,382,705

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:

	General	Capital Projects	Water	Total
Receivables:				
Taxes	$ 942,836	$ -	$ -	$ 942,836
Accounts and others	170,574	145	134,548	305,267
Intergovernmental	58,633	-	-	58,633
Gross receivables	1,172,043	145	134,548	1,306,736
Less: allowance for uncollectibles	-	-	(9,000)	(9,000)
Net total receivables	$1,172,043	$ 145	$ 125,548	$1,297,736

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:

	Unavailable	Unearned
Property taxes receivable (General Fund)	$ 719,844	$ -
Total deferred/unearned revenue, governmental funds	$ 719,844	$ -

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	7/1/2009	Increases	Decreases	6/30/2010
Governmental activities				
Capital assets:				
Land	$ 2,582,462	$ -	$ -	$ 2,582,462
Buildings	1,773,302	-	-	1,773,302
Infrastructure	10,230,106	761,634	-	10,991,740
Machinery and equipment	1,598,128	82,391	-	1,680,519
Total capital assets	16,183,998	844,025	-	17,028,023
Accumulated depreciation:				
Buildings	(361,788)	(59,110)	-	(420,898)
Infrastructure	(1,019,474)	(546,461)	-	(1,565,935)
Machinery and equipment	(951,681)	(116,816)	-	(1,068,497)
Total accumulated depreciation	(2,332,943)	(722,387)	-	(3,055,330)
Net governmental capital assets	$13,851,055	$ 121,638	$ -	$13,972,693

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Capital Assets Continued)

	7/1/2009	Increases	Decreases	6/30/2010
Business-type activities				
Capital assets:				
Land	$ 4,703	$ -	$ -	$ 4,703
Water distribution system	5,085,109	316,517	-	5,401,626
Equipment	228,942	20,360	-	249,302
Total capital assets	5,318,754	336,877	-	5,655,631
Accumulated depreciation:				
Water distribution system	(1,075,873)	(192,577)		(1,268,450)
Equipment	(89,872)	(38,326)		(128,198)
Total accumulated depreciation	(1,165,745)	(230,903)	-	(1,396,648)
Net business-type capital assets	$ 4,153,009	$ 105,974	$ -	$ 4,258,983

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

Governmental activities:	
General government	$ 17,121
Public safety	105,549
Highways and public improvements	537,643
Parks and recreation	62,074
Total depreciation expense - governmental activities	$ 722,387
Business-type activities:	
Water	$ 230,903
Total depreciation expense - business-type activities	$ 230,903

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, 2010, by issue, are as follows (in thousands):

Bond Description	Original Issue	Annual Principal	Interest Rate	Final Due Date	Outstanding as of 6/30/10
Sales Tax Series 2005	$ 2,000	$20 to $170	3.25% to 4.50%	2/1/2024	$ 1,840
Special Improvement District Series 2007	3,933	$200 to $420	5.00% to 6.00%	12/1/2019	3,110
Water Revenue Series 2007	1,223	$3 to $48	4.375%	4/1/2048	1,196
	$ 7,156				$ 6,146

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows (in thousands):

	Principal	Interest	Total
2011	$ 369	$ 257	$ 626
2012	384	242	626
2013	402	226	628
2014	419	209	628
2015	433	192	625
2016 - 2020	2,469	668	3,137
2021 - 2025	738	273	1,011
2026 - 2030	134	190	324
2031 - 2035	166	158	324
2036 - 2040	207	117	324
Thereafter	425	77	502
	$ 6,146	$ 2,609	$ 8,755

In August 2007, the City issued $3,933,000 Special Improvement District (SID) Refunding Bonds Series 2007 at par. The proceeds from these bonds, net of issuance costs of $20,250, a private placement fee of $24,723, and previously held debt service reserve funds of $355,198 were deposited into an irrevocable trust with an escrow agent. The total deposited with the escrow agent was $4,243,225, which will be used to provide for the future debt payments of $3,960,000 of 2004 SID bonds. As a result, the total liability for these bonds has been removed from the City's books. The difference between the reacquisition price and the net carrying amount of the debt of $269,140 is a deferred loss which was added to the unamortized bond issue costs and will be amortized through the year 2019.

4. DETAILED NOTES FOR ALL FUNDS (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows (in thousands):

	7/1/2009	Additions	Reductions	6/30/2010	Due in One Year
Governmental activities					
Bonds payable:					
Special improvement district	$ 3,355	$ -	$ (245)	$ 3,110	$ 256
Sales tax revenue	1,940	-	(100)	1,840	100
Total bonds payable	5,295	-	(345)	4,950	356
Vacation payable	32	24	(20)	36	23
Governmental activity long-term liabilities	$ 5,327	$ 24	$ (365)	$ 4,986	$ 379
Business-type activities					
Bonds payable:					
Water revenue	$ 1,208	$ -	$ (12)	$ 1,196	$ 13
Vacation payable	8	9	(6)	11	7
Business-type activity long-term liabilities	$ 1,216	$ 9	$ (18)	$ 1,207	$ 20

Interfund Transfers

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

	Transfers in	
Transfers out	General	Total
Capital projects	$ 467,829	$ 467,829
Redevelopment agency	28,000	28,000
Totals	$ 495,829	$ 495,829

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, 2010 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 $777,130 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, 2010.

During the year ended June 30, 2010, funds expended by the RDA were limited to the category of administration costs. These costs totaled $25,322.

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 statues.

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 3.0 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 7.65 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.

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, 2010, 2009 and 2008, were equal to the required contributions for each year. The contribution amounts are as follows:

	2010	2009	2008
Local Governmental Contributory Retirement System	$ 72,579	$ 89,760	$ 77,146

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 $26,619, $28,134, and $21,458 for the years ended June 30, 2010, 2009 and 2008, 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 $56,864, $62,813, and $56,296 for the years ended June 30, 2010, 2009 and 2008, 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, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Special assessments	$ 145,000	$ 225,000	$ 242,647	$ 17,647
Charges for services	582,170	750,846	-	(750,846)
Intergovernmental	-	85,500	84,402	(1,098)
Interest	140,000	110,000	51,949	(58,051)
Total revenues	867,170	1,171,346	378,998	(792,348)
EXPENDITURES				
Streets and public works	1,225,000	1,228,000	249,415	978,585
Debt service	97,170	237,170	218,988	18,182
Total expenditures	1,322,170	1,465,170	468,403	996,767
Excess (deficiency) of revenues over (under) expenditures	(455,000)	(293,824)	(89,405)	204,419
OTHER FINANCING SOURCES (USES)				
Transfers in	575,000	750,000	-	(750,000)
Transfers out	(467,829)	(897,345)	(467,829)	429,516
Total other financing sources (uses)	107,171	(147,345)	(467,829)	(320,484)
Net change in fund balance	(347,829)	(441,169)	(557,234)	(116,065)
Fund balance at beginning of year	4,539,502	4,539,502	4,539,502	-
Fund balance at end of year	$ 4,191,673	$ 4,098,333	$ 3,982,268	$ (116,065)

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA

Robert D. Wood, CPA
Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

Members of the American Institute of Certified Public Accountants

Members of the Private Company Practice Section

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, 2010, which collectively comprise the City of Bluffdale, Utah's basic financial statements and have issued our report thereon dated October 27, 2010. 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*.

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.

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

October 27, 2010

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA
Jason L. Tanner, CPA

Robert D. Wood, CPA
Aaron R. Hixson, CPA
Ted C. Gardiner, CPA
Jeffrey B. Miles, CPA

Members of the American Institute of Certified Public Accountants

Members of the Private Company Practice Section

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

Major and 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 the City of Bluffdale, Utah ("the City"), for the year ended June 30, 2010, and have issued our report thereon dated October 27, 2010. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions as applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Courts Compliance
B and C Road Funds
Other General Compliance Issues
Building Permit Surcharge
Asset Forfeiture
Utah Retirement Systems

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 generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the City of Bluffdale, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2010.

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, 2010