

**CITY OF NORTH SALT LAKE
NORTH SALT LAKE CITY, UTAH**



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

For The Fiscal Year Ended June 30th, 2011

Together with Independent Auditor's Report

Prepared by:
North Salt Lake City
Administration Department

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Finance Director

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Salt Lake

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 North Salt Lake, Utah, as of and for the year ended June 30, 2011, 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 of North Salt Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake, as of June 30, 2011, and the respective changes in financial position, and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2011, on our consideration of the City of North Salt Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and pages 48 through 50 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 of North Salt Lake's financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedules of revenues, expenditures, and changes in fund balance – budget to actual for the capital projects fund, nonmajor special revenue funds, and the debt service fund, and the schedule of net revenues and aggregate debt service 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 and the schedules of revenues, expenditures, and changes in fund balance – budget to actual for the capital projects fund, nonmajor special revenue funds, and the debt service fund and the schedule of net revenues and aggregate debt service have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Ogden, UT
October 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of North Salt Lake's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011.

Please read it in conjunction with the City's basic financial statements, which begin on page 12.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's property tax base, sales tax base, and the condition of the City's capital assets (roads, buildings and water lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Sales taxes, property taxes, utility taxes, and state and federal grants finance most of these activities.

Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's culinary and storm water systems and golf course are reported here.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes other funds to help it control and manage money for particular purposes, (ex. Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. Grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds through reconciliations with the fund financial statements.

Proprietary funds: when the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business-type activities) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City has no assets that – because of a trust arrangement – can be used only for the trust beneficiaries. Therefore, the City does not serve as Trustee for any agencies or other parties.

THE CITY AS A WHOLE

The City's combined net assets grew substantially again over a year ago – increasing from \$65,075,904 to \$71,426,159, or 10%. Looking at net assets and net expenses for both governmental and business-type activities shows a strong upward trend. Our analysis which begins on the following page focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$11,531,126 | \$14,690,991 | \$ 5,110,757 | \$ 519,090 | \$16,641,883 | \$15,210,081 |
| Capital assets | 48,063,284 | 41,293,763 | 26,838,053 | 25,996,805 | 74,901,337 | 67,290,568 |
| Total assets | \$59,594,410 | \$55,984,754 | \$31,948,810 | \$26,515,895 | \$91,543,220 | \$82,500,649 |
| Long-term liabilities | \$ 4,160,454 | \$ 4,334,439 | \$12,352,368 | \$ 9,413,515 | \$16,512,822 | \$13,747,954 |
| Other liabilities | 2,896,830 | 3,163,404 | 707,409 | 513,387 | 3,604,239 | 3,676,791 |
| Total liabilities | \$ 7,057,284 | \$ 7,497,843 | \$13,059,777 | \$ 9,926,902 | \$20,117,061 | \$17,424,745 |
| Net assets: | | | | | | |
| Investment in capital assets, net of related debt | \$45,226,818 | \$37,375,940 | \$21,417,014 | \$19,761,764 | \$66,643,832 | \$57,137,704 |
| Restricted | 1,895,353 | 5,317,966 | 950,507 | 573,063 | 2,845,860 | 5,891,029 |
| Unrestricted | 5,414,955 | 5,793,005 | (3,478,488) | (3,745,834) | 1,936,467 | 2,047,171 |
| Total net assets | \$52,537,126 | \$48,486,911 | \$18,889,033 | \$16,588,993 | \$71,426,159 | \$65,075,904 |

Net assets of the City's governmental activities increased by \$4,050,215 or 8 percent. Changes to unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$378,050 or 7 percent. This planned reduction to unrestricted net assets was the direct result of finishing construction for occupancy of the new City Hall during fiscal year ending June 30, 2011.

The net assets of the City's business-type activities increased by \$2,300,040 or 14 percent. This increase is explainable for both the water and golf course business activities. Water system assets continue to increase as construction has moved ahead, notably finishing the Highway 89 well improvements and other minor projects. Other notable increases to capital assets came through developer contributions as new subdivision improvements transferred into City hands. The City generally can only use these net assets to finance the continuing operations of the culinary and storm water systems, and Eaglewood Golf Course.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

City of North Salt Lake's Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$1,241,873 | \$2,054,341 | \$5,499,978 | \$3,911,533 | \$6,741,851 | \$5,965,874 |
| Operating grants and contributions | 686,125 | 487,311 | - | - | 686,125 | 487,311 |
| Capital grants and contributions | 4,325,174 | 9,855,829 | 1,578,405 | 2,506,485 | 5,903,579 | 12,362,314 |
| General revenues: | | | | | | |
| Property taxes | 2,337,137 | 2,245,720 | - | - | 2,337,137 | 2,245,720 |
| Other taxes | 3,921,136 | 3,590,857 | - | - | 3,921,136 | 3,590,857 |
| Grants and contributions not restricted to specific programs | - | - | - | - | - | - |
| Other | 180,190 | 213,161 | 18,554 | 13,105 | 198,744 | 226,266 |
| Total revenues | 12,691,635 | 18,447,219 | 7,096,937 | 6,431,123 | 19,788,572 | 24,878,342 |
| Expenses: | | | | | | |
| General government | 1,688,385 | 1,725,664 | - | - | 1,688,385 | 1,725,664 |
| Public safety | 3,142,608 | 3,108,426 | - | - | 3,142,608 | 3,108,426 |
| Public health | - | 600,143 | - | - | - | 600,143 |
| Highways and public works | 1,606,030 | 1,639,741 | - | - | 1,606,030 | 1,639,741 |
| Community Development | 554,810 | - | - | - | 554,810 | - |
| Parks and recreation | 1,034,273 | 493,833 | - | - | 1,034,273 | 493,833 |
| Redevelopment | 64 | 34,274 | - | - | 64 | 34,274 |
| Water | - | - | 2,673,519 | 2,475,091 | 2,673,519 | 2,475,091 |
| Pressurized Irrigation | - | - | 223,444 | - | 223,444 | - |
| Storm Water | - | - | 247,242 | 206,562 | 247,242 | 206,562 |
| Solid Waste | - | - | 783,643 | 61,008 | 783,643 | 61,008 |
| Golf course | - | - | 1,484,299 | 1,515,353 | 1,484,299 | 1,515,353 |
| Total expenses | 8,026,170 | 7,602,081 | 5,412,147 | 4,258,014 | 13,438,317 | 11,860,095 |
| Increase in net assets before transfers | 4,665,465 | 10,845,138 | 1,684,790 | 2,173,109 | 6,350,255 | 13,018,247 |
| Transfers | (615,250) | (734,531) | 615,250 | 734,531 | - | - |
| Increase (decrease) in net assets | 4,050,215 | 10,110,607 | 2,300,040 | 2,907,640 | 6,350,255 | 13,018,247 |
| Net assets July 1, 2010 | 48,486,911 | 38,376,304 | 16,588,993 | 13,430,527 | 65,075,904 | 51,806,831 |
| Prior Period Adjustment | - | - | - | 250,826 | - | 250,826 |
| Net assets June 30, 2011 | \$52,537,126 | \$48,486,911 | \$18,889,033 | \$16,588,993 | \$71,426,159 | \$65,075,904 |

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

Total City general revenues and contributions actually decreased by \$5,345,636 or 21 percent, while general program and service expenses increased by \$1,349,759 or 11 percent. City-wide, net assets saw an increase of \$6,350,255 or 10 percent. Our analysis to follow separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities decreased by \$5,755,584 or 31 percent while total expenses increased by \$424,089 or 6 percent. The factors driving these results include:

- Capital grants and contributions decreased by \$5,530,655 or 56% over the prior fiscal year. This is due almost entirely to the completion of City Hall in September 2010s. Excluding capital grants/contributions as an extraordinary factor, total governmental revenues actually decreased by \$224,929 or 3 percent. This decrease of 3 percent is due to the sanitation revenue being segregated into its new Enterprise Fund beginning July 1, 2010, coupled with net increases due to sales and utility tax revenue increases.
- General fund tax revenue actually increased from \$5,836,577 to \$6,258,273, an increase of \$421,696 or 7 percent. Fines and forfeiture revenues decreased from \$552,162 to \$505,688, a decrease of \$46,475 or 8 percent.
- Other permit fees continue to decrease according to decreased building activities over the past few fiscal years. Building permit and plan check revenues decreased from \$248,846 to \$215,634, a decrease of \$33,212 or 13%. Park development fees increased from \$137,800 to \$149,400, an increase of \$11,600 or 8 percent. Police facility fees decreased from \$33,750 to \$27,835, a decrease of \$5,915 or 18 percent. In its fourth year of collection, roadway development fees generated \$157,936 for future City projects, a decrease of \$45,130 over prior year revenues of \$203,066.

Business-type Activities

Operating revenues for the City's business-type activities increased by \$665,814 or 10 percent, and operating expenses increased by \$1,154,133 or 27 percent. This increase in expenses is due primarily to budgeted capital spending. Water development fees, a non-operating revenue, increased from \$106,875 to \$399,550 or by \$292,675 or 274 percent. This increase is due to a flurry of new development activity during the last fiscal quarter. Net transfers into business-type activities decreased from \$734,531 to \$615,250, or by \$119,281 or 16 percent. This reflects a possibly lowered dependence upon general fund support of golf course activities. Despite decreases to revenue and moderate increases to expenses, net assets increased by \$2,300,040 or 14 percent. The factors behind these results include:

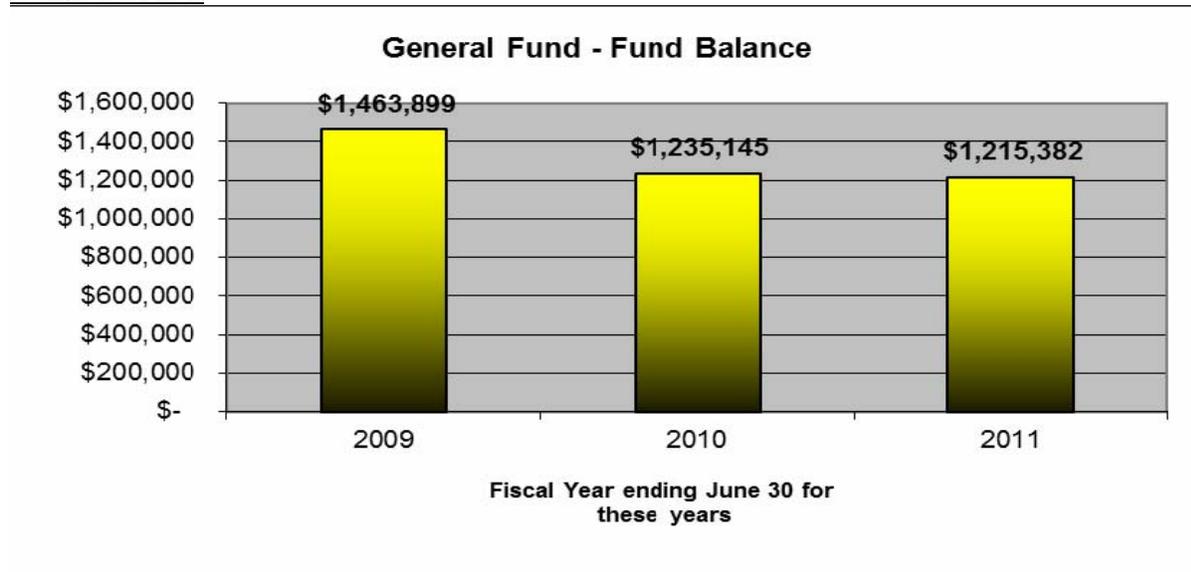
- Golf operating revenue increased from \$1,182,556 to \$1,183,428, or by \$872 or virtually unchanged. Golf expenses decreased from \$1,375,252 to \$1,365,689, a decrease of \$9,563 or 1 percent. As a result of these and other factors, this year's operating loss decreased slightly from \$185,172 to \$182,261 over last year. Golf salaries & wages decreased from \$499,135 to \$436,183, or by \$62,952 or 13 percent. For a second year, clubhouse and turf center maintenance expenses both decreased.
- Water net operating income/loss improved from a loss of \$101,251 to a positive income amount of \$35,879, an improvement of \$137,130 or 135 percent over last fiscal year. This is due to the fact that water sales revenue reflected twelve full months of rate increase (effective March 1, 2010). Also, \$295,710 was spent on a one-time basis on radio-read metering equipment in Fall 2010, whose absence should improve operating income in the next fiscal years.
- The other enterprise funds all showed positive operating income of \$32,422 for the Pressurized Irrigation Fund, \$100,836 for the Storm Water Fund, and \$18,978 for the Solid Waste Fund. These positive amounts reflect cost recovery and reserve requirements found in these and all enterprise funds.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011**

THE CITY'S FUNDS

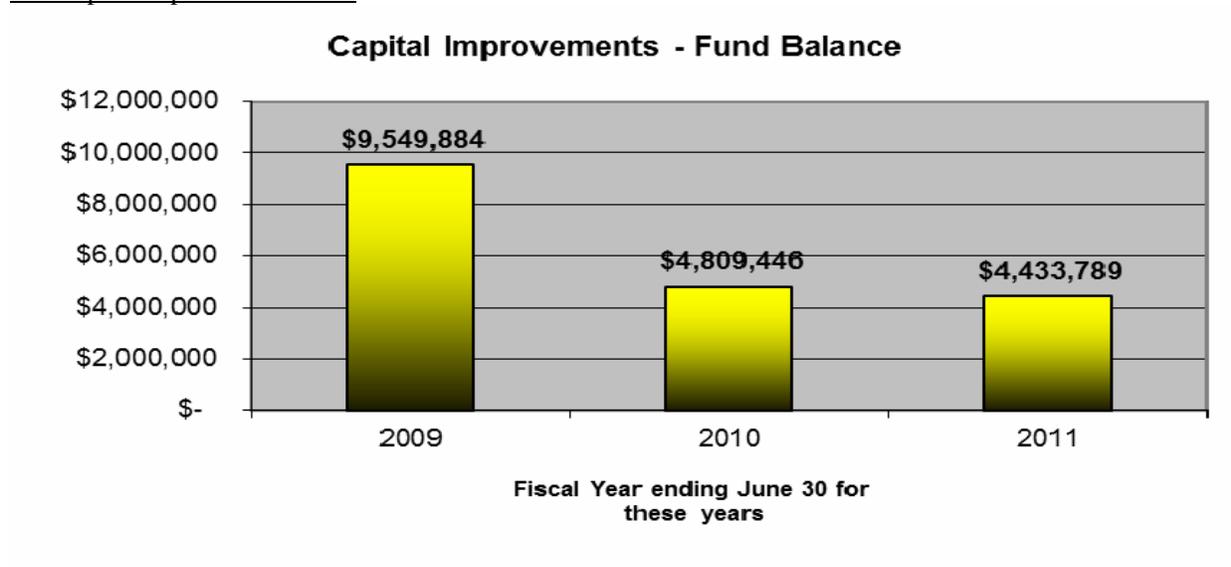
General Governmental Functions

The General Fund



The fund balance decreased by \$19,763 or 2 percent (from \$1,235,145 to \$1,215,382). The following graphs show the decrease to the fund balance. Coupled with underspent departmental budgets, this extra general fund balance was transferred to the debt service, capital projects, and golf enterprise funds.

The Capital Improvements Fund



The Capital Improvements Fund balance helped fulfill a primary goal by funding a new City Hall the past two years, as well as maintaining a planned reserve for other improvements or facilities that the City may deem desirable in the future. Additional fund balance of \$375,657 was spent primarily on furniture, fixtures and equipment to complete new City Hall for occupancy in September 2010.

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

Capital Improvements Fund (continued)

During Fiscal Year 2010~2011, the City expended \$677,961 in budgeted funds to 100% complete all work for the new City Hall facility located at 10 East Center Street. Additionally, this fund received \$100,000 in repayment for \$700,000 loaned in the prior year to the Storm Drain Development Fund to pay for contractual obligations incurred via Development Agreement by and between the City and Eaglewood Village Development, LLC. The loan funded work in progress at the development site located at the intersection of Eagleridge Drive and Highway 89, at the City's south entrance.

The decrease to the fund balance in FY2010 and FY2011 occurred as a result of building the new City Hall facility described in the above paragraph. Additionally, some available General Fund Balance was transferred to the Golf Enterprise Fund to account for revenue downturns that were not anticipated to their full extent during the fiscal year. The net effect this fiscal year is a decrease to the capital projects fund balance by \$375,657 or 8%, or from \$4,809,446 to \$4,433,789 this year per the chart on the previous page.

Business-type Functions

Water fund

Net assets of the water fund increased this year by approximately \$1,136,926 compared to an increase of \$1,389,687 last year. This year's increase is due mainly to capital contributions of \$1,087,075 for the year, as many new developer and City installed improvements came on line during the year.

Golf fund

Net assets of the golf fund increased from \$798,250 to \$1,248,729, or by \$450,479 compared to last year. The transfer amount of \$745,250 from the general fund continues to furnish the current net assets balance. In March 2009, the City refunded the 2003 G.O. bond, resulting in a \$73,439 reduction to interest expense. This also aided in the overall improvement to net assets discussed above, by lowering overall bond interest expenses.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The final budget has been adjusted as follows.

- General tax revenues were revised upward \$205,000 to reflect actual growth in sales and utility taxes.
- Building permit & plan check fees were revised downwards for a third consecutive year.
- For a second consecutive year, court fines and forfeitures declined, a downturn of \$140,000 or 22 percent.
- Overall general government expenditures were revised upwards to match revenue increases. Expenditure reductions were made to legislative, judicial, inspection, streets repairs and maintenance, and engineering. Expenditure increases were seen in administration, building maintenance (ie, new City Hall), planning, police, animal control, parks, recreation, community development, and transfers to others funds (ie, Capital Projects and Golf Funds).
- Expenditure increases to increase service levels became possible due to a modest rebound in taxes, coupled with grant revenues and one-time sale of assets. It seems the two-year downturn in the City and area economy was reversed during this fiscal year. Overall increases to the General Fund budget topped \$537,000 due to the factors described above.
- Administrative costs increased due to one-time retirement costs, less decreased service costs elsewhere.
- Police expenses increased also due to one-time retirement costs, less decreased service and supply costs.
- South Davis Metro Fire Agency service fees increased by \$7,000 over prior fiscal year amounts.
- Parks and recreation improvement expenditures both increased due to greater revenues available. Recreation program enrollments and teacher expenditures continue to grow as well.
- Culinary and storm water revenues decreased slightly, while irrigation water revenues increased.
- Due to decreases in major golf revenues, \$129,250 was needed in additional general fund support.

**CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2011 the City had \$74,901,337 invested in a broad range of capital assets, including land holdings, vehicles and maintenance equipment, buildings, park facilities, roads, and utility distribution systems. This amount represents an increase of \$4,751,762 or 6 percent over the \$70,149,575 investment from last year.

This year's major additions include:

| | |
|--|------------|
| One-Hybrid, Four sedan-type police vehicles (vehicle only) | \$ 113,093 |
| Public Works Dump Truck with Plow, Sander | 128,391 |
| Street Major Overlay Project – Center Street | 251,288 |
| Park Improvements -- Foxboro North & Trailhead Projects | 2,416,073 |
| New City Hall – Furniture, Fixtures and Equipment | 426,380 |
| New City Hall – Final Construction for Occupancy (September 2010) | 186,932 |
| Golf Equipment Purchases – 10 new carts, 3 new turf care pieces of equipment | 61,702 |

During the fiscal year, the City issued a water revenue bond in December 2010 to construct its remaining new water projects found on the City's Capital Facility Plan. Those projects have been designed extensively but were not constructed during Spring 2011 or the remainder of the fiscal year. The major park improvements in the Foxboro North (northwest) are of the City is nearly completed as of June 30, 2011. There also remains the southeast bench park to construct. The funding for this park project also came from RAP taxes authorized by voters in November 2009. All other acquisitions were made with current, budgeted funds or accumulated reserves. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

City of North Salt Lake Capital Assets
(Net of Depreciation)

| | Governmental Activities 2011 | Business-type Activities 2011 | Total 2011 |
|---------------------------|------------------------------------|-------------------------------------|----------------------|
| Land | \$ 21,047,953 | \$ 2,551,013 | \$ 23,598,966 |
| Buildings | 6,660,911 | 1,059,117 | 7,720,028 |
| Improvements | 1,712,933 | - | 1,712,933 |
| Golf Course | - | 3,196,718 | 3,196,718 |
| Water distribution system | - | 14,561,251 | 14,561,251 |
| Storm water system | - | 2,951,430 | 2,951,430 |
| Machinery and equipment | 1,357,088 | 1,190,609 | 2,547,697 |
| Infrastructure | 14,004,624 | - | 14,004,624 |
| Construction in progress | 3,279,775 | 1,327,915 | 4,607,690 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 48,063,284</u> | <u>\$ 26,838,053</u> | <u>\$ 74,901,337</u> |

CITY OF NORTH SALT LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
For The Year Ended June 30, 2011

DEBT

At year-end, the City had \$16,512,822 in bonds and notes outstanding versus \$13,747,954 last year – an increase of \$2,764,868 or 30 percent. The City issued a \$4,000,000 water revenue bond for planned culinary and secondary water system improvements, while retiring \$1,235,132 in other areas of debt. For business activities, the City retired \$553,255 and increased (net) \$3,516,000 respectively, for golf and water business activities. For governmental activities, the City retired (net) \$173,985 for outstanding bonds and other obligations. For additional information on debt, see pages 32-39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's management finished constructing its new City Hall during this fiscal year. Occupancy began the week of September 13, 2010. A police facility impact fee implemented during Fiscal Year 2005~6 was adopted specifically for this purpose as well. Construction costs are funded in the Capital Projects fund, and are currently appropriated. Appropriation of \$770,000 of such funds is found in Budget Year 2010~2011.

In November 2009, City voters authorized a first-ever RAP (Recreation Arts & Parks) sales tax with over 60% of the vote. Assessment and collection of the RAP tax commenced April 1, 2010 per Utah State Tax Commission rules. In May 2010, the City Council authorized issuing a \$4.03MM sales tax bond to be funded ostensibly 100% with RAP tax proceeds. RAP Bond payments required an additional \$30,000 as a loan from the General Fund in order to meet the full annual bond payment obligation of \$280,000.

While residential growth has slowed substantially on the City's southeast bench, there continues to be a demand for water system improvements. For this reason, the City's management secured a \$4,000,000 bond obligation in December 2010. With these pending increases to the culinary and secondary water system infrastructure, and supported by a major rate increase in March 2010, the City enacted a 3% increase to all its water rates and types effective July 1, 2011. The storm water infrastructure system was valued at over \$20 million by the City Engineer. Future, CPI based rate increases will be proposed to the City Council each spring during budget adoption hearings and regular council meetings.

In addition to more routine equipment and repair expenditures, the City is positive about moving forward on new improvements to its southeast bench park and Hatch park extension abutting the New City Hall.

City management has observed modest increases to overall general fund revenues since the end of the fiscal year. However, with continuing downturns to court and selected revenues, City revenue resources will likely increase only marginally this upcoming year. That, however, is a much better prospect than what occurred in prior fiscal years ending June 30th in 2010 and 2009. The City is hopeful also that interest earnings rates increase from their woeful current rates hovering around .055% at the present time. The City sees its own financial future on the upswing after 2~3 years of economic adversity.

BASIC FINANCIAL STATEMENTS

**CITY OF NORTH SALT LAKE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

| ASSETS | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Cash and cash equivalents | \$ 1,691,899 | \$ 152,781 | \$ 1,844,680 |
| Restricted cash and cash equivalents | 2,830,140 | 4,565,612 | 7,395,752 |
| Receivables: | | | |
| Accounts, net | 47,574 | 373,422 | 420,996 |
| Taxes | 2,579,525 | - | 2,579,525 |
| Intergovernmental | 82,140 | - | 82,140 |
| Inventories | - | 177,940 | 177,940 |
| Internal balances | 3,368,583 | (3,368,583) | - |
| Prepays | 47,214 | 11,422 | 58,636 |
| Notes receivable | 777,778 | - | 777,778 |
| Deferred charges | 106,273 | 334,112 | 440,385 |
| Water stock | - | 2,864,051 | 2,864,051 |
| Capital Assets (net of accumulated depreciation): | | | |
| Land | 21,047,953 | 2,551,013 | 23,598,966 |
| Construction in progress | 3,279,775 | 1,327,915 | 4,607,690 |
| Buildings | 6,660,911 | 1,059,117 | 7,720,028 |
| Improvements | 1,712,934 | - | 1,712,934 |
| Golf course | - | 3,196,718 | 3,196,718 |
| Water distribution system | - | 14,561,251 | 14,561,251 |
| Storm water system | - | 2,951,430 | 2,951,430 |
| Machinery and equipment | 1,357,087 | 1,190,609 | 2,547,696 |
| Infrastructure | 14,004,624 | - | 14,004,624 |
| Total Assets | <u>59,594,410</u> | <u>31,948,810</u> | <u>91,543,220</u> |
| LIABILITIES | | | |
| Accounts payable | 457,924 | 282,859 | 740,783 |
| Accrued liabilities | 155,402 | 198,293 | 353,695 |
| Customer deposits | - | 226,257 | 226,257 |
| Deferred revenue | 2,000,000 | - | 2,000,000 |
| Construction bonds | 283,504 | - | 283,504 |
| Noncurrent liabilities: | | | |
| Due within one year | 220,427 | 1,115,030 | 1,335,457 |
| Due in more than one year | 3,940,027 | 11,237,338 | 15,177,365 |
| Total Liabilities | <u>7,057,284</u> | <u>13,059,777</u> | <u>20,117,061</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 45,226,818 | 21,417,014 | 66,643,832 |
| Restricted For: | | | |
| Impact fees | 1,889,649 | 188,166 | 2,077,815 |
| Debt service | - | 762,341 | 762,341 |
| Property tax increment | 5,704 | - | 5,704 |
| Unrestricted | 5,414,955 | (3,478,488) | 1,936,467 |
| Total Net Assets | <u>\$ 52,537,126</u> | <u>\$ 18,889,033</u> | <u>\$ 71,426,159</u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF NORTH SALT LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Functions/Programs | | | | |
| Governmental Activities | | | | |
| General government | \$ 1,688,385 | \$ - | \$ - | \$ - |
| Public safety | 3,142,608 | 533,523 | 264,258 | - |
| Highways and public improvements | 1,606,030 | 179,723 | 421,867 | 4,325,174 |
| Community development | 554,810 | 366,421 | - | - |
| Parks, recreation and public property | 1,034,273 | 162,206 | - | - |
| Redevelopment | 63 | - | - | - |
| Total Governmental Activities | 8,026,170 | 1,241,873 | 686,125 | 4,325,174 |
| Business-type Activities | | | | |
| Water | 2,673,519 | 2,840,916 | - | 1,087,075 |
| Pressurized Irrigation | 223,444 | 255,866 | - | - |
| Storm water | 247,242 | 422,166 | - | 491,330 |
| Golf course | 1,484,299 | 1,183,428 | - | - |
| Solid Waste | 783,643 | 797,602 | - | - |
| Total Business-type Activities | 5,412,147 | 5,499,978 | - | 1,578,405 |
| Total Government | \$ 13,438,317 | \$ 6,741,851 | \$ 686,125 | \$ 5,903,579 |

General Revenues:

Property taxes
Sales taxes
Franchise taxes
Interest earnings
Other
Loss on disposal of assets

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

The accompanying notes are an integral part of these financial statements.

Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,688,385) | \$ - | \$ (1,688,385) |
| (2,344,827) | - | (2,344,827) |
| 3,320,734 | - | 3,320,734 |
| (188,389) | - | (188,389) |
| (872,067) | - | (872,067) |
| (63) | - | (63) |
| <u>(1,772,998)</u> | <u>-</u> | <u>(1,772,998)</u> |
| - | 1,254,472 | 1,254,472 |
| - | 32,422 | 32,422 |
| - | 666,254 | 666,254 |
| - | (300,871) | (300,871) |
| - | 13,959 | 13,959 |
| <u>-</u> | <u>1,666,236</u> | <u>1,666,236</u> |
| <u>(1,772,998)</u> | <u>1,666,236</u> | <u>(106,762)</u> |
| 2,337,137 | - | 2,337,137 |
| 3,568,850 | - | 3,568,850 |
| 352,286 | - | 352,286 |
| 108,757 | 12,454 | 121,211 |
| 93,902 | 6,100 | 100,002 |
| (22,469) | - | (22,469) |
| (615,250) | 615,250 | - |
| <u>5,823,213</u> | <u>633,804</u> | <u>6,457,017</u> |
| <u>4,050,215</u> | <u>2,300,040</u> | <u>6,350,255</u> |
| <u>48,486,911</u> | <u>16,588,993</u> | <u>65,075,904</u> |
| <u>\$ 52,537,126</u> | <u>\$ 18,889,033</u> | <u>\$ 71,426,159</u> |

**CITY OF NORTH SALT LAKE
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011**

| | <u>General</u> | <u>Capital Projects</u> | <u>Park Development</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|-----------------------------|-----------------------------|---|---|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ - | \$ 1,691,899 | \$ - | \$ - | \$ 1,691,899 |
| Receivables: | | | | | |
| Accounts, net | 47,574 | - | - | - | 47,574 |
| Taxes | 2,579,525 | - | - | - | 2,579,525 |
| Intergovernmental | 82,140 | - | - | - | 82,140 |
| Interfund receivable | 630,791 | 2,741,981 | - | - | 3,372,772 |
| Prepays | 47,214 | - | - | - | 47,214 |
| Note receivables | 777,778 | - | - | - | 777,778 |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | - | 2,342,629 | 487,511 | 2,830,140 |
| TOTAL ASSETS | <u>\$ 4,165,022</u> | <u>\$ 4,433,880</u> | <u>\$ 2,342,629</u> | <u>\$ 487,511</u> | <u>\$ 11,429,042</u> |
| LIABILITIES: | | | | | |
| Accounts payable | \$ 455,307 | \$ 91 | \$ 2,526 | \$ - | \$ 457,924 |
| Accrued liabilities | 210,829 | - | - | - | 210,829 |
| Interfund payable | - | - | - | 4,189 | 4,189 |
| Deferred revenue | 2,000,000 | - | - | - | 2,000,000 |
| Construction bonds held | 283,504 | - | - | - | 283,504 |
| TOTAL LIABILITIES | <u>2,949,640</u> | <u>91</u> | <u>2,526</u> | <u>4,189</u> | <u>2,956,446</u> |
| FUND BALANCES: | | | | | |
| Nonspendable: | | | | | |
| Prepays | 47,214 | - | - | - | 47,214 |
| Restricted for: | | | | | |
| Impact fees | - | - | 1,407,842 | 481,807 | 1,889,649 |
| Property tax increment | - | - | - | 5,704 | 5,704 |
| Construction | - | - | 932,261 | - | 932,261 |
| Assigned to: | | | | | |
| Capital Projects Fund | - | 4,433,789 | - | - | 4,433,789 |
| Unassigned | 1,168,168 | - | - | (4,189) | 1,163,979 |
| TOTAL FUND BALANCES | <u>1,215,382</u> | <u>4,433,789</u> | <u>2,340,103</u> | <u>483,322</u> | <u>8,472,596</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 4,165,022</u> | <u>\$ 4,433,880</u> | <u>\$ 2,342,629</u> | <u>\$ 487,511</u> | <u>\$ 11,429,042</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH SALT LAKE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

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

| | |
|--|----------------------|
| Total fund balances--total governmental funds | \$ 8,472,596 |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund financial statements. | 48,063,284 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Those liabilities consist of: | |
| Unamortized Cost of Issuance | 106,273 |
| Long-Term Portion of Compensated Absences | (230,027) |
| Bonds Payable | <u>(3,875,000)</u> |
| Net assets of governmental activities | <u>\$ 52,537,126</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>General</u> | <u>Capital Projects</u> | <u>Park Development</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------------|-----------------------------|---|---|
| REVENUES: | | | | | |
| Taxes | \$ 6,029,895 | \$ - | \$ - | \$ 228,378 | \$ 6,258,273 |
| Licenses and permits | 138,139 | - | - | - | 138,139 |
| Intergovernmental | 686,125 | - | - | - | 686,125 |
| Charges for services | 262,875 | - | - | - | 262,875 |
| Impact fees | - | - | 149,400 | 185,771 | 335,171 |
| Fines and forfeitures | 505,688 | - | - | - | 505,688 |
| Interest | 73,560 | 17,304 | 15,798 | 2,095 | 108,757 |
| Miscellaneous | 93,902 | - | - | - | 93,902 |
| Total Revenues | 7,790,184 | 17,304 | 165,198 | 416,244 | 8,388,930 |
| EXPENDITURES: | | | | | |
| Current Operating: | | | | | |
| General government | 1,350,430 | 677,961 | - | - | 2,028,391 |
| Public safety | 3,189,146 | - | - | - | 3,189,146 |
| Highways and public improvements | 1,557,810 | - | - | 1,960 | 1,559,770 |
| Community development | 554,810 | - | - | - | 554,810 |
| Parks, recreation, and public property | 443,598 | - | 2,787,489 | 2,500 | 3,233,587 |
| Redevelopment | - | - | - | 63 | 63 |
| Debt service | - | - | - | 278,971 | 278,971 |
| Total Expenditures | 7,095,794 | 677,961 | 2,787,489 | 283,494 | 10,844,738 |
| Excess (deficiency) of Revenues Over (Under) Expenditures | 694,390 | (660,657) | (2,622,291) | 132,750 | (2,455,808) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers-In | 130,000 | 285,000 | - | 30,000 | 445,000 |
| Transfers-Out | (1,025,250) | - | - | (35,000) | (1,060,250) |
| Sale of assets | 181,097 | - | - | - | 181,097 |
| Total Other Financing Sources (Uses) | (714,153) | 285,000 | - | (5,000) | (434,153) |
| Net Change in Fund Balances | (19,763) | (375,657) | (2,622,291) | 127,750 | (2,889,961) |
| Fund Balances at Beginning of Year | 1,235,145 | 4,809,446 | 4,962,394 | 355,572 | 11,362,557 |
| Fund Balances at End of Year | \$ 1,215,382 | \$ 4,433,789 | \$ 2,340,103 | \$ 483,322 | \$ 8,472,596 |

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH SALT LAKE
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, 2011

Net change in fund balance, total governmental funds \$ (2,889,961)

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

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

| | | |
|----------------------|------------------|-----------|
| Capital Outlays | 3,567,457 | |
| Depreciation Expense | <u>(919,544)</u> | 2,647,913 |

Capital contributed from developers is not considered a current resource to the City, and therefore is not reported in the funds. These contributions, however, are an economic resource and are recorded as revenues in the statement of activities. 4,325,174

In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus the change in net assets differs from the change in fund balance by the net book value of the assets sold.

| | | |
|-------------------------------|-----------|-----------|
| Net book value of assets sold | (203,566) | (203,566) |
|-------------------------------|-----------|-----------|

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | |
|--|---------------|----------------|
| Repayment of bond principal | 155,000 | |
| Amortization of cost of issuance | (5,904) | |
| Net change of long-term compensated absences | <u>21,559</u> | <u>170,655</u> |

| | | |
|---|--|----------------------------|
| Change in net assets of governmental activities | | <u><u>\$ 4,050,215</u></u> |
|---|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH SALT LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| | Pressurized | | |
|---|----------------------|-------------------|---------------------|
| | Water | Irrigation | Storm Water |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ - | \$ 152,781 | \$ - |
| Accounts receivable (Net) | 229,264 | 19,984 | 34,958 |
| Prepaid expense | 2,034 | - | - |
| Inventory | 109,434 | - | - |
| Total Current Assets | 340,732 | 172,765 | 34,958 |
| Noncurrent Assets: | | | |
| Restricted cash and cash equivalents | 4,377,446 | - | 188,166 |
| Deferred charges | 248,970 | - | - |
| Water stock | 2,864,051 | - | - |
| Capital Assets, net: | | | |
| Land | 197,538 | - | - |
| Construction in progress | 457,915 | - | 870,000 |
| Buildings | 183,039 | - | - |
| Golf course | - | - | - |
| Water distribution system | 14,561,251 | - | - |
| Storm water system | - | - | 2,951,430 |
| Machinery and equipment | 329,151 | - | 113,322 |
| Total Noncurrent Assets | 23,219,361 | - | 4,122,918 |
| Total Assets | \$ 23,560,093 | \$ 172,765 | \$ 4,157,876 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 216,877 | \$ - | \$ 19,494 |
| Accrued liabilities | 144,981 | 1,372 | 3,425 |
| Compensated absences, current portion | 12,728 | - | 807 |
| Bonds payable, current portion | 505,000 | - | - |
| Leases payable, current portion | - | - | 21,063 |
| Total Current Liabilities | 879,586 | 1,372 | 44,789 |
| Noncurrent Liabilities: | | | |
| Interfund payables | 893,589 | - | 666,137 |
| Customer deposits | 226,257 | - | - |
| Compensated absences, net of current portion | 50,211 | - | 1,424 |
| Notes payable, net of current portion | - | - | - |
| Bonds payable, net of current portion | 7,596,623 | - | - |
| Leases payable, net of current portion | - | - | - |
| Total Noncurrent Liabilities | 8,766,680 | - | 667,561 |
| Total Liabilities | 9,646,266 | 1,372 | 712,350 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 14,355,397 | - | 3,913,689 |
| Restricted for debt service | 762,341 | - | - |
| Restricted for impact fees | - | - | 188,166 |
| Unrestricted | (1,203,911) | 171,393 | (656,329) |
| Total Net Assets | 13,913,827 | 171,393 | 3,445,526 |
| Total Liabilities and Net Assets | \$ 23,560,093 | \$ 172,765 | \$ 4,157,876 |

The accompanying notes are an integral part of these financial statements.

| <u>Golf</u> | <u>Solid Waste</u> | <u>Total</u> |
|---------------------|--------------------|----------------------|
| \$ - | \$ - | \$ 152,781 |
| 12,266 | 76,950 | 373,422 |
| 9,388 | - | 11,422 |
| <u>68,506</u> | <u>-</u> | <u>177,940</u> |
| <u>90,160</u> | <u>76,950</u> | <u>715,565</u> |
| - | - | 4,565,612 |
| 85,142 | - | 334,112 |
| - | - | 2,864,051 |
| 2,353,475 | - | 2,551,013 |
| - | - | 1,327,915 |
| 876,078 | - | 1,059,117 |
| 3,196,718 | - | 3,196,718 |
| - | - | 14,561,251 |
| - | - | 2,951,430 |
| <u>533,512</u> | <u>214,624</u> | <u>1,190,609</u> |
| <u>7,044,925</u> | <u>214,624</u> | <u>34,601,828</u> |
| <u>\$ 7,135,085</u> | <u>\$ 291,574</u> | <u>\$ 35,317,393</u> |
| | | |
| \$ 16,488 | \$ 30,000 | \$ 282,859 |
| 45,397 | 3,118 | 198,293 |
| 12,441 | - | 25,976 |
| 485,000 | - | 990,000 |
| <u>59,784</u> | <u>18,207</u> | <u>99,054</u> |
| <u>619,110</u> | <u>51,325</u> | <u>1,596,182</u> |
| | | |
| 1,780,438 | 28,419 | 3,368,583 |
| - | - | 226,257 |
| 40,450 | - | 92,085 |
| 657,000 | - | 657,000 |
| 2,729,016 | - | 10,325,639 |
| <u>60,342</u> | <u>102,272</u> | <u>162,614</u> |
| <u>5,267,246</u> | <u>130,691</u> | <u>14,832,178</u> |
| <u>5,886,356</u> | <u>182,016</u> | <u>16,428,360</u> |
| | | |
| 3,053,783 | 94,145 | 21,417,014 |
| - | - | 762,341 |
| - | - | 188,166 |
| <u>(1,805,054)</u> | <u>15,413</u> | <u>(3,478,488)</u> |
| <u>1,248,729</u> | <u>109,558</u> | <u>18,889,033</u> |
| <u>\$ 7,135,085</u> | <u>\$ 291,574</u> | <u>\$ 35,317,393</u> |

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Water</u> | <u>Pressurized Irrigation</u> | <u>Storm Water</u> |
|---|----------------------|-----------------------------------|---------------------|
| Operating Revenues: | | | |
| Water sales | \$ 2,393,948 | \$ 255,866 | \$ - |
| User fees | - | - | 345,500 |
| Golf fees | - | - | - |
| Rent/lease | - | - | - |
| Connection fees | 27,383 | - | - |
| Sales | - | - | - |
| Other | 20,035 | - | 462 |
| Total Operating Revenues | 2,441,366 | 255,866 | 345,962 |
| Operating Expenses: | | | |
| Salaries & benefits | 623,726 | 63,197 | 94,130 |
| Office expense and supplies | 15,977 | - | 3,499 |
| Equipment - supplies and maintenance | 289,392 | - | 22,943 |
| Building and grounds - supplies and maintenance | 46,563 | - | - |
| Special department supplies | 19,124 | - | - |
| Power purchases | 347,546 | - | - |
| Water purchases | 370,149 | 122,618 | - |
| Professional services | 56,989 | 35,499 | 23,151 |
| Contracted services | - | - | - |
| Merchandise | - | - | - |
| Depreciation | 625,718 | - | 88,842 |
| Other | 10,303 | 2,130 | 12,561 |
| Total Operating Expenses | 2,405,487 | 223,444 | 245,126 |
| Operating Income (Loss) | 35,879 | 32,422 | 100,836 |
| Nonoperating Revenues (Expenses) | | | |
| Interest income | 12,454 | - | - |
| Impact fees | 399,550 | - | 76,204 |
| Interest expense | (268,032) | - | (2,116) |
| Gain (loss) on sale of assets | - | - | - |
| Total Nonoperating Revenues (Expenses) | 143,972 | - | 74,088 |
| Net Income (Loss) Before Contributions and Transfers | 179,851 | 32,422 | 174,924 |
| Capital Contributions | 1,087,075 | - | 491,330 |
| Transfers in | - | - | - |
| Transfers out | (130,000) | - | - |
| Change in Net Assets | 1,136,926 | 32,422 | 666,254 |
| Total Net Assets - Beginning, as restated (Note 16) | 12,776,901 | 138,971 | 2,779,272 |
| Total Net Assets - Ending | \$ 13,913,827 | \$ 171,393 | \$ 3,445,526 |

The accompanying notes are an integral part of these financial statements.

| <u>Golf</u> | <u>Solid Waste</u> | <u>Total</u> |
|---------------------|--------------------|----------------------|
| \$ - | \$ - | \$ 2,649,814 |
| - | 797,498 | 1,142,998 |
| 593,925 | - | 593,925 |
| 401,741 | - | 401,741 |
| - | - | 27,383 |
| 187,762 | - | 187,762 |
| - | 104 | 20,601 |
| <u>1,183,428</u> | <u>797,602</u> | <u>5,024,224</u> |
| 670,008 | 40,089 | 1,491,150 |
| 20,433 | 7,420 | 47,329 |
| 55,803 | 2,043 | 370,181 |
| 50,672 | - | 97,235 |
| 90,667 | - | 109,791 |
| 36,568 | - | 384,114 |
| 102,126 | - | 594,893 |
| 11,748 | - | 127,387 |
| - | 698,998 | 698,998 |
| 91,265 | - | 91,265 |
| 203,911 | 30,074 | 948,545 |
| 32,488 | - | 57,482 |
| <u>1,365,689</u> | <u>778,624</u> | <u>5,018,370</u> |
| <u>(182,261)</u> | <u>18,978</u> | <u>5,854</u> |
| - | - | 12,454 |
| - | - | 475,754 |
| (118,610) | (5,019) | (393,777) |
| 6,100 | - | 6,100 |
| <u>(112,510)</u> | <u>(5,019)</u> | <u>100,531</u> |
| <u>(294,771)</u> | <u>13,959</u> | <u>106,385</u> |
| - | - | 1,578,405 |
| 745,250 | - | 745,250 |
| - | - | (130,000) |
| <u>450,479</u> | <u>13,959</u> | <u>2,300,040</u> |
| <u>798,250</u> | <u>95,599</u> | <u>16,588,993</u> |
| <u>\$ 1,248,729</u> | <u>\$ 109,558</u> | <u>\$ 18,889,033</u> |

**CITY OF NORTH SALT LAKE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Water | Pressurized Irrigation | Storm Water |
|---|---------------------|---------------------------|-------------------|
| Cash Flows from Operating Activities | | | |
| Cash received from customers | \$ 2,488,053 | \$ 257,444 | \$ 346,269 |
| Cash paid to suppliers | (1,114,459) | (160,247) | (41,681) |
| Cash paid to employees | (602,061) | (62,811) | (98,727) |
| Net Cash From Operating Activities | 771,533 | 34,386 | 205,861 |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers in/out | (130,000) | - | - |
| Due to/from other funds | (228,602) | - | (162,797) |
| Net Cash From Noncapital Financing Activities | (358,602) | - | (162,797) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (141,572) | - | - |
| Proceeds from sale of assets | - | - | - |
| Developer receivable | - | 118,395 | - |
| Bond proceeds | 3,896,622 | - | - |
| Principal payments on bonds and leases | (484,000) | - | (40,761) |
| Interest paid | (179,641) | - | (2,302) |
| Impact fees collected | 399,550 | - | 76,204 |
| Net Cash From Capital and Related Financing Activities | 3,490,959 | 118,395 | 33,141 |
| Cash Flows from Investing Activities | | | |
| Interest on Investments | 12,454 | - | - |
| Net Cash From Investing Activities | 12,454 | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,916,344 | 152,781 | 76,205 |
| Cash and Cash Equivalents - July 1 | 461,102 | - | 111,961 |
| Cash and Cash Equivalents - June 30 | \$ 4,377,446 | \$ 152,781 | \$ 188,166 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating Income (Loss) | \$ 35,879 | \$ 32,422 | \$ 100,836 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 625,718 | - | 88,842 |
| Capital asset purchase included in accrued liabilities | - | - | - |
| Changes in Assets and Liabilities: | | | |
| Accounts receivable | 37,595 | 1,578 | 307 |
| Inventories | (27,905) | - | - |
| Accounts payable | 69,489 | - | 20,473 |
| Accrued liabilities | 21,665 | 386 | (4,597) |
| Customer deposits | 9,092 | - | - |
| Net Cash Provided by Operating Activities | \$ 771,533 | \$ 34,386 | \$ 205,861 |
| Noncash financing and investing activities: | | | |
| Contributed Capital | \$ 1,087,075 | \$ - | \$ 491,330 |

The accompanying notes are an integral part of these financial statements.

| Golf | Solid Waste | Total |
|---------------|---------------|------------------|
| \$ 1,183,236 | \$ 800,468 | \$ 5,075,470 |
| (490,353) | (687,123) | (2,493,863) |
| (672,034) | (39,268) | (1,474,901) |
| <u>20,849</u> | <u>74,077</u> | <u>1,106,706</u> |

| | | |
|----------------|-----------------|----------------|
| 745,250 | - | 615,250 |
| (13,151) | (34,158) | (438,708) |
| <u>732,099</u> | <u>(34,158)</u> | <u>176,542</u> |

| | | |
|------------------|-----------------|------------------|
| (75,750) | (17,225) | (234,547) |
| 6,100 | - | 6,100 |
| - | - | 118,395 |
| - | - | 3,896,622 |
| (553,254) | (17,521) | (1,095,536) |
| (130,044) | (5,173) | (317,160) |
| - | - | 475,754 |
| <u>(752,948)</u> | <u>(39,919)</u> | <u>2,849,628</u> |

| | | |
|---|---|--------|
| - | - | 12,454 |
| - | - | 12,454 |

| | | |
|---|---|-----------|
| - | - | 4,145,330 |
|---|---|-----------|

| | | |
|---|---|---------|
| - | - | 573,063 |
|---|---|---------|

| | | |
|-------------|-------------|---------------------|
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,718,393</u> |
|-------------|-------------|---------------------|

| | | |
|--------------|-----------|----------|
| \$ (182,261) | \$ 18,978 | \$ 5,854 |
|--------------|-----------|----------|

| | | |
|---------|--------|---------|
| 203,911 | 30,074 | 948,545 |
| - | - | - |

| | | |
|---------|--------|----------|
| (2,522) | 2,866 | 39,824 |
| 2,901 | - | (25,004) |
| (1,484) | 21,338 | 109,816 |
| (2,026) | 821 | 16,249 |
| 2,330 | - | 11,422 |

| | | |
|------------------|------------------|---------------------|
| <u>\$ 20,849</u> | <u>\$ 74,077</u> | <u>\$ 1,106,706</u> |
|------------------|------------------|---------------------|

| | | |
|------|------|--------------|
| \$ - | \$ - | \$ 1,578,405 |
|------|------|--------------|

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of North Salt Lake (the City) operates under a manager-council form of government and provides the following services as authorized by its charter: public safety, public health, public improvements, highways, recreation, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

Blended Component Units

The City established a Redevelopment Agency (RDA) pursuant to state code and designated the City Council and Mayor as the Redevelopment Agency Board. The financial statements of the RDA are included as part of the basic financial statements of the City (by blended presentation) and are included as a nonmajor governmental fund.

The City established a Municipal Building Authority pursuant to state code. The Governing Board of the Building Authority is comprised of the Mayor and members of the City Council. The purpose of the Authority is to serve the City as a financing agency for debt financed projects. During fiscal year 2004, all of the remaining debt related to the Authority was paid off and no other activity has occurred in the Authority since that time.

Financial information for the above mentioned component units may be obtained at the City's offices, located at 10 East Center Street, North Salt Lake, UT 84054

Basic Financial Statements - Government-Wide 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. Government activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The City's basic financial statements include both governmental-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the city and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative over-head are allocated among the programs.

Functions and segments using a full cost allocation approach are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the government.

The City has the following fund types:

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Property taxes, sales taxes, franchise taxes, licenses, and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

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

Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities.

Debt Service Fund accounts for the repayment of bonds and other debts owed by the governmental activities.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each proprietary fund in the City is used for its respective utility or function as indicated by the title of the fund.

Enterprise Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City reports the following proprietary funds:

Water Fund accounts for the activities of the City's water distribution system.

Pressure Irrigation accounts for the activities of the City's pressurized irrigation water system.

Storm Water accounts for the activities of the City's storm water system.

Golf Fund accounts for the activities of the City's golf course.

Solid Waste accounts for the activities of the City's solid waste services.

The City has a total of twelve funds, including seven governmental funds and five proprietary funds.

Measurement Focus and Basis of Accounting

The accounts of the City of North Salt Lake are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term liabilities which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Equity

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurers' Investment Pool.

Investments are stated at cost which approximates fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes are recognized when they are measurable and available. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due on November 30. City property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of the Governmental Accounting Standards Board Codification, Section P70.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets used in governmental fund types of the city are reported in the applicable governmental or proprietary fund columns in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Property, plant and equipment in the proprietary funds of the city are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add materially to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the government using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 30-50 |
| Improvements other than buildings | 30-50 |
| Machinery and equipment | 3-12 |
| Furniture and fixtures | 5-10 |
| Infrastructure | 40 |

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Typically the general fund liquidates approximately 30% of the liability for compensated absences while the water fund liquidates 25%, storm water fund 5%, and the golf fund liquidates approximately 40% of the liability.

For reporting purposes, the City's proprietary funds report the amounts accrued for all employees as a liability, while the governmental fund financial statements only report a liability for the estimated current portion of the liability. The governmental funds long-term liability balance for all employees is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Liabilities

The City reports long-term liabilities of governmental funds at face value in the applicable governmental fund, enterprise fund or proprietary fund type balance sheet. Certain other governmental fund liabilities not expected to be financed with current available financial resources are also reported in the applicable fund type. Long-term liabilities and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financial source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Liabilities (continued)

For proprietary fund types, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Equity

Fund financial statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable – Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance – Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provisions or enabling legislation, or restrictions set by creditors, grantors, or contributors. .
- c. Committed fund balance – Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance – Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance – Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity (continued)

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except interfund services provided and used, are reported as transfers. All other interfund transfers are reported as non-operating transfers.

Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

Restricted Net Assets

The City has the following restricted net assets:

Debt service reserves are established by bond documents to service the debt, repair and replace infrastructure, etc.

Impact fees are charged on all new construction permits. The use of these fees is limited by state law. The unexpended balance is to be used for the established purpose of the impact fee. The City collects impact fees for park development, roadway development, police facilities, water and storm water.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Assets (continued)

Property tax increment – The City has assessed and collected property taxes designated for specific purposes; funding the redevelopment agency and servicing the Series 2010 revenue bonds.

Construction – The City has unspent bond proceeds which are restricted in their use for construction projects.

The City also has the following restricted fund balances at the fund financial statement level:

Prepaid expenses are reserved as the funds have been dedicated to a specific purpose to be consumed in the future.

2. DEPOSITS AND INVESTMENTS

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

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of city funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2011, \$0 of the City's bank balances of \$447,687 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of any

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2. DEPOSITS AND INVESTMENTS (Continued)

political subdivision of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers’ Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

As of June 30, 2011, the City had all of its investments in the PTIF totaling \$8,832,572. All of the PTIF matures in less than one year.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers’ Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City’s investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The City’s investment in the Utah Public Treasurers’ Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, 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 or collateral securities that are in the possession of an outside party. The City’s investment in the Utah Public Treasurers’ Investment Fund has no custodial credit risk.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

2. DEPOSITS AND INVESTMENTS (Continued)

Components of cash and investments (including interest earning deposits) at June 30, 2011, are as follows:

| | |
|------------------------------|---------------------|
| Cash on hand and on deposit: | |
| Cash on hand | \$ 3,600 |
| Returned checks | - |
| Cash on deposit | 404,260 |
| PTIF investment | <u>8,832,572</u> |
| Total cash and investments | <u>\$ 9,240,432</u> |

Cash and investments are included in the accompanying
combined statement of net assets as follows:

| | |
|--------------------------------------|---------------------|
| Cash and cash equivalents | \$ 2,059,801 |
| Restricted cash and cash equivalents | <u>7,180,631</u> |
| Total cash and investments | <u>\$ 9,240,432</u> |

3. NOTE RECEIVABLE

In April 2007, Eaglepointe Development, Inc. agreed to exchange property with the City, plus pay the City \$1,000,000 in cash. This money was to be repaid through the sale of 18 lots in Eaglepointe Phase 15. The unpaid principal balance to the City is subject to interest at a rate of ten percent per annum. After fiscal year 2011 lot sales, the remaining principal amount due the City as of June 30, 2011 was \$777,778.

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CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

4. CAPITAL ASSETS

Capital asset activity in the governmental activities for the year ended June 30, 2011, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|----------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$18,386,107 | \$ 2,661,846 | \$ - | \$21,047,953 |
| Construction in progress | <u>6,580,491</u> | <u>2,359,759</u> | <u>(5,660,475)</u> | <u>3,279,775</u> |
| Total capital assets, not being depreciated | <u>24,966,598</u> | <u>5,021,605</u> | <u>(5,660,475)</u> | <u>24,327,728</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 2,810,290 | 5,489,268 | (1,137,393) | 7,162,165 |
| Improvements other than buildings | 1,676,322 | 424,010 | - | 2,100,332 |
| Machinery and equipment | 2,798,922 | 703,607 | (95,212) | 3,407,317 |
| Infrastructure | <u>12,890,882</u> | <u>1,914,616</u> | <u>-</u> | <u>14,805,498</u> |
| Total capital assets, being depreciated | <u>20,176,416</u> | <u>8,531,501</u> | <u>(1,232,605)</u> | <u>27,475,312</u> |
| Accumulated Depreciation for: | | | | |
| Buildings | (1,234,717) | (224,612) | 958,075 | (501,254) |
| Improvements other than buildings | (336,188) | (51,211) | - | (387,399) |
| Machinery and equipment | (1,803,369) | (317,824) | 70,964 | (2,050,229) |
| Infrastructure | <u>(474,977)</u> | <u>(325,897)</u> | <u>-</u> | <u>(800,874)</u> |
| Total accumulated depreciation | <u>(3,849,251)</u> | <u>(919,544)</u> | <u>1,029,039</u> | <u>(3,739,756)</u> |
| Total assets, being depreciated, net | <u>16,327,165</u> | <u>7,611,957</u> | <u>(203,566)</u> | <u>23,735,556</u> |
| Governmental activities capital assets, net | <u>\$41,293,763</u> | <u>\$12,633,562</u> | <u>\$(5,864,041)</u> | <u>\$48,063,284</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| General government | \$ 278,696 |
| Public safety | 86,245 |
| Highways and public improvements | 459,829 |
| Parks, recreation, and public property | <u>94,774</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 919,544</u> |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

4. CAPITAL ASSETS (Continued)

Capital asset activity in the business-type activities for the year ended June 30, 2011, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,551,013 | \$ - | \$ - | \$ 2,551,013 |
| Water Stock | 2,859,006 | 5,045 | - | 2,864,051 |
| Construction in progress | 1,308,162 | 19,753 | - | 1,327,915 |
| Total capital assets, not being depreciated | <u>6,718,181</u> | <u>24,798</u> | <u>-</u> | <u>6,742,979</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 1,492,976 | - | - | 1,492,976 |
| Golf Course | 4,765,185 | - | - | 4,765,185 |
| Water Distribution System | 17,055,651 | 1,087,075 | - | 18,142,726 |
| Storm Water System | 2,611,388 | 491,330 | - | 3,102,718 |
| Machinery and Equipment | 2,434,832 | 195,701 | (28,460) | 2,602,073 |
| Total capital assets, being depreciated | <u>28,360,032</u> | <u>1,774,106</u> | <u>(28,460)</u> | <u>30,105,678</u> |
| Accumulated Depreciation for: | | | | |
| Buildings | (401,113) | (32,746) | - | (433,859) |
| Golf Course | (1,471,207) | (97,260) | - | (1,568,467) |
| Water Distribution System | (3,025,570) | (555,905) | - | (3,581,475) |
| Storm Water System | (81,811) | (69,477) | - | (151,288) |
| Machinery and Equipment | (1,242,701) | (193,157) | 24,394 | (1,411,464) |
| Total accumulated depreciation | <u>(6,222,402)</u> | <u>(948,545)</u> | <u>24,394</u> | <u>(7,146,553)</u> |
| Total assets, being depreciated, net | <u>22,137,630</u> | <u>825,561</u> | <u>(4,066)</u> | <u>22,959,125</u> |
| Business-type activities capital assets, net | <u>\$28,855,811</u> | <u>\$ 850,359</u> | <u>\$ (4,066)</u> | <u>\$29,702,104</u> |

Depreciation expense was charged to functions as follows:

| | |
|---|-------------------|
| Business-type Activities: | |
| Water | \$ 625,717 |
| Storm Water | 88,842 |
| Golf | 203,912 |
| Solid Waste | <u>30,074</u> |
| Total Business-type Activities Depreciation Expense | <u>\$ 948,545</u> |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

5. DEFERRED REVENUE

In conjunction with the implementation of GASB pronouncement 33 “Accounting and Financial Reporting for Nonexchange Transactions” the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$2,000,000.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1st and then are due and payable on November 30th.

Since the property tax to be levied on October 1st is not expected to be received within 60 days after year end, the City is required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1st.

6. LONG-TERM LIABILITIES

Business-type activities:

Water Revenue and Refunding Bonds, Series 2002

In April of 2002 the City issued Series 2002 Water Revenue and Refunding Bonds with a par value of \$1,158,000. Upon issuance of the Series 2002 bonds, \$718,000 was exchanged with the Board of Water Resources to retire the Series 2000B Bonds. The final payment for the Series 2002 Bonds is due December 2014.

| Year Ended June 30, | Series 2002 Bonds 1.80% | | |
|------------------------------------|------------------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2012 | \$ 115,000 | \$ 12,960 | \$ 127,960 |
| 2013 | 128,000 | 10,890 | 138,890 |
| 2014 | 138,000 | 8,586 | 146,586 |
| 2015 | 339,000 | 6,102 | 345,102 |
| Totals | \$ 720,000 | \$ 38,538 | \$ 758,538 |

Water Revenue Refunding Bonds, Series 2004

In January of 2004 the City issued Water Revenue Refunding Bonds with a par value of \$1,122,000 to refund the Water Revenue Bonds, Series 2000A. The reacquisition price exceeded the net carrying amount of the old debt by \$35,648. The refunding was undertaken to reduce total debt service payments by \$129,989 and resulted in an economic gain of \$79,296. The bond was fully redeemed in December 2010 in the amount of \$144,000.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Water Revenue Bonds, Series 2006

In August of 2006 the City issued Series 2006 Water Revenue Bonds with a par value of \$4,560,000. The interest rate on the Series 2006 bonds varies. Water sales are security for the bond. Interest payments are due on March 1st and September 1st of each year. Principal payments are due on March 1st of each year with final payment being due in March 2021.

| <u>Year Ended June 30,</u> | <u>Series 2006 Bonds</u> | | | |
|------------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|
| | <u>Interest Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | 4.25% | \$ 265,000 | \$ 148,430 | \$ 413,430 |
| 2013 | 5.00% | 280,000 | 137,168 | 417,168 |
| 2014 | 5.00% | 290,000 | 123,167 | 413,167 |
| 2015 | 4.50% | 305,000 | 108,668 | 413,668 |
| 2016 | 4.25% | 320,000 | 93,417 | 413,417 |
| 2017 | 4.25% | 340,000 | 77,418 | 417,418 |
| 2018 | 4.25% | 350,000 | 63,393 | 413,393 |
| 2019 | 4.25% | 365,000 | 48,692 | 413,692 |
| 2020 | 4.25% | 385,000 | 33,362 | 418,362 |
| 2021 | 4.25% | 400,000 | 17,000 | 417,000 |
| Totals | | <u>\$ 3,300,000</u> | <u>\$ 850,715</u> | <u>\$ 4,150,715</u> |

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CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Water Revenue Bonds, Series 2010

In December of 2010 the City issued Series 2010 Water Revenue Bonds with a par value of \$4,000,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 5.99% and a true interest cost of 3.88%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The purpose of the bond issue was finance the cost of various capital improvements to the water distribution system, including the construction of wells, a pump building, waterlines, pump stations, and a 0.5 million gallon water tank. Water sales are security for the bond. Payments are due in March and September of each year, with final payment being due in March 2031. Below is a schedule of payments, shown net of the federal subsidy.

| Year Ended June 30, | Series 2010 Bonds | | |
|------------------------------------|--------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2012 | \$ 125,000 | \$ 165,466 | \$ 290,466 |
| 2013 | 155,000 | 135,351 | 290,351 |
| 2014 | 160,000 | 133,235 | 293,235 |
| 2015 | 160,000 | 130,532 | 290,532 |
| 2016 | 165,000 | 127,255 | 292,255 |
| 2017 | 170,000 | 123,234 | 293,234 |
| 2018 | 175,000 | 118,537 | 293,537 |
| 2019 | 180,000 | 113,418 | 293,418 |
| 2020 | 185,000 | 107,861 | 292,861 |
| 2021 | 190,000 | 101,668 | 291,668 |
| 2022 | 195,000 | 95,184 | 290,184 |
| 2023 | 205,000 | 88,023 | 293,023 |
| 2024 | 210,000 | 80,494 | 290,494 |
| 2025 | 220,000 | 72,304 | 292,304 |
| 2026 | 225,000 | 63,724 | 288,724 |
| 2027 | 235,000 | 54,584 | 289,584 |
| 2028 | 245,000 | 45,037 | 290,037 |
| 2029 | 255,000 | 34,685 | 289,685 |
| 2030 | 265,000 | 23,912 | 288,912 |
| 2031 | 280,000 | 12,285 | 292,285 |
| Totals | \$ 4,000,000 | \$ 1,826,789 | \$ 5,826,789 |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

General Obligation Refunding Bonds, Series 2009

In 2009 the City issued the General Obligation Bonds, Series 2009 with a par value of \$4,525,000 and a face value of \$4,633,647. The bonds require interest payments in June and December of each year until maturity. Principal payments are due in June of each year until June 2017. These bonds were issued for the purpose of refunding in advance of maturity the 2003 Series Bonds and to pay certain costs of issuance in the amount of \$99,332. These costs are being amortized over the life of the 2009 bonds. The bonds are reported in the golf course fund.

| Year Ended June 30, | Series 2009 Bonds | | | |
|------------------------------------|--------------------------|---------------------|-------------------|---------------------|
| | Interest Rate | Principal | Interest | Total |
| 2012 | 2.50% | \$ 485,000 | \$ 97,150 | \$ 582,150 |
| 2013 | 3.00% | 500,000 | 85,025 | 585,025 |
| 2014 | 3.00% | 515,000 | 70,025 | 585,025 |
| 2015 | 3.00% | 530,000 | 54,575 | 584,575 |
| 2016 | 3.50% | 545,000 | 38,675 | 583,675 |
| 2017 | 3.50% | 560,000 | 19,600 | 579,600 |
| Totals | | \$ 3,135,000 | \$ 365,050 | \$ 3,500,050 |

Golf Course Note Payable

The City shall pay a lender an amount equal to 100% of all cash flow until the lender shall have been paid an amount equal to 5% of the total participation net income which has accrued from the date hereof through the end of the fiscal year for which the payment is being made and which has not been previously paid to the lender. The City's obligation to make payments to the lender shall commence at such time as the City shall have accumulated in the enterprise reserve fund the amount of \$175,000, which amount shall include any interest earned on funds deposited in the enterprise reserve fund. Prior to the accumulation of \$175,000, 100% of the cash flow shall be deposited in the enterprise fund. In any fiscal year the cash flow is not available to permit actual payment to the lender of amount required to be paid pursuant to this section, then payment of such amount shall be deferred until such time as cash flow shall be available to make payments. The annual due date of all payments shall be 90 days after the close of each fiscal year. Computation of payment on this note is not determinable as it is based on net income. The golf course had no net income for the current year.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Golf Course Capital Lease

In August 2007 the City entered into an equipment lease purchase for \$156,541. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in August and February of each year until 2012. The lease has an interest rate of 4.77%. The golf fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

| Year Ended June 30, | Capital Lease (Golf Equipment) | | |
|------------------------------------|---------------------------------------|-----------------|------------------|
| | 4.77% | | |
| | Principal | Interest | Total |
| 2012 | \$ 21,219 | \$ 506 | \$ 21,725 |
| Totals | \$ 21,219 | \$ 506 | \$ 21,725 |

Golf Course Capital Lease

In September 2009 the City entered into an equipment lease purchase for \$154,500. The lease is secured by capital equipment amortized through depreciation expense. Payments are due in September and March of each year until 2014. The lease has an interest rate of 3.40%. The golf fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

| Year Ended June 30, | Capital Lease (Golf Equipment) | | |
|------------------------------------|---------------------------------------|-----------------|-------------------|
| | 3.40% | | |
| | Principal | Interest | Total |
| 2012 | \$ 38,565 | \$ 3,038 | \$ 41,603 |
| 2013 | 39,888 | 1,715 | 41,603 |
| 2014 | 20,454 | 347 | 20,801 |
| Totals | \$ 98,907 | \$ 5,100 | \$ 104,007 |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Storm Water Lease

In October of 2007 the City entered into an equipment lease for \$156,210 for the purchase of a street sweeper. The lease is secured by the capital equipment amortized through depreciation expense. Payments are due in October and April of each year until 2012. The lease has an interest rate of 4.45%. The Storm Water fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

| Year Ended June 30, | Capital Lease (Street Sweeper) | | |
|------------------------------------|---------------------------------------|-----------------|------------------|
| | 4.45% | | |
| | Principal | Interest | Total |
| 2012 | \$ 21,063 | \$ 469 | \$ 21,532 |
| Totals | \$ 21,063 | \$ 469 | \$ 21,532 |

Solid Waste Lease

In January of 2010 the City entered into an equipment lease for \$138,000 for the purchase of sanitation equipment amortized through depreciation expense. The lease is secured by the equipment. Payments are due in January and July of each year until 2017. The lease has an interest rate of 3.87%. The Solid Waste fund is used to liquidate the lease. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

| Year Ended June 30, | Capital Lease (Solid Waste Equipment) | | |
|------------------------------------|--|------------------|------------------|
| | 3.87% | | |
| | Principal | Interest | Total |
| 2012 | \$ 18,207 | \$ 4,487 | \$ 22,694 |
| 2013 | 18,917 | 3,777 | 22,694 |
| 2014 | 19,656 | 3,038 | 22,694 |
| 2015 | 20,424 | 2,270 | 22,694 |
| 2016 | 21,223 | 1,471 | 22,694 |
| 2017 | 22,052 | 642 | 22,694 |
| Totals | \$ 120,479 | \$ 13,572 | \$ 90,776 |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Governmental Activities:

Sales Tax Revenue Bonds, Series 2010

In May of 2010 the City issued the Sales Tax Revenue Bonds, Series 2010 with a par value of \$4,030,000. The bonds are Build America Bonds (BABS) and are not tax exempt to the holder of the bonds. The bonds have a net interest cost of 4.73% and a true interest cost of 3.1%. However, the City will be reimbursed by the Federal Government equal to 35% of the interest paid. The bonds require interest payments in June and December of each year until maturity in 2030. Principal payments are due in June of each year until June 2030. These bonds were issued for the purpose of park construction. The bonds were issued with \$118,081 in issuance costs. The bonds proceeds were receipted in the Park Improvement Fund and will be liquidated in the Debt Service Fund. The debt service requirements are as follows:

| Year Ended June 30, | Series 2010 Bonds | | | |
|------------------------------------|--------------------------|---------------------|---------------------|---------------------|
| | Interest Rate | Principal | Interest | Total |
| 2012 | 1.60% | \$ 165,000 | \$ 114,129 | \$ 340,583 |
| 2013 | 2.15% | 165,000 | 112,413 | 337,943 |
| 2014 | 2.55% | 165,000 | 110,107 | 334,395 |
| 2015 | 3.10% | 170,000 | 107,372 | 335,188 |
| 2016 | 3.55% | 175,000 | 103,947 | 334,918 |
| 2017 | 3.80% | 180,000 | 99,908 | 333,705 |
| 2018 | 4.15% | 180,000 | 95,462 | 326,865 |
| 2019 | 4.30% | 185,000 | 90,607 | 324,395 |
| 2020 | 4.50% | 190,000 | 85,436 | 321,440 |
| 2021 | 4.65% | 200,000 | 79,879 | 322,890 |
| 2022 | 4.80% | 205,000 | 73,834 | 318,590 |
| 2023 | 4.90% | 210,000 | 67,438 | 313,750 |
| 2024 | 5.15% | 215,000 | 60,749 | 308,460 |
| 2025 | 5.15% | 225,000 | 53,552 | 307,388 |
| 2026 | 5.15% | 230,000 | 46,020 | 300,800 |
| 2027 | 5.50% | 240,000 | 37,798 | 298,150 |
| 2028 | 5.50% | 250,000 | 29,218 | 294,950 |
| 2029 | 5.50% | 260,000 | 19,793 | 290,450 |
| 2030 | 5.80% | 265,000 | 9,991 | 280,370 |
| Totals | | \$ 3,875,000 | \$ 1,397,650 | \$ 6,025,230 |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES (continued)

Activity with long-term liabilities including capital leases and compensated absences for the year ended June 30, 2011 is as follows:

| | Balance July 1, 2010 | Additions | Reductions | Balance June 30, 2011 | Amounts Due Within One Year |
|--------------------------------------|-------------------------------------|-------------------|---------------------|--------------------------------------|--|
| Governmental Activities: | | | | | |
| Compensated Absences | \$ 304,439 | \$ 262,074 | \$ (281,059) | \$ 285,454 | \$ 55,427 |
| Series 2010 Bonds | 4,030,000 | - | (155,000) | 3,875,000 | 165,000 |
| <i>Total Governmental Activities</i> | <u>\$4,334,439</u> | <u>\$ 262,074</u> | <u>\$ (436,059)</u> | <u>\$4,160,454</u> | <u>\$ 220,427</u> |

| | Balance July 1, 2010 | Additions | Reductions | Balance June 30, 2011 | Amounts Due Within One Year |
|---------------------------------------|-------------------------------------|--------------------|----------------------|--------------------------------------|--|
| Business-type Activities: | | | | | |
| Series 2002 Water Revenue | \$ 810,000 | \$ - | \$ (90,000) | \$ 720,000 | \$115,000 |
| Series 2004 Water Revenue | 144,000 | - | (144,000) | - | - |
| Series 2006 Water Revenue | 3,550,000 | - | (250,000) | 3,300,000 | 265,000 |
| Series 2010 Water Revenue | - | 4,000,000 | - | 4,000,000 | 125,000 |
| Series 2009 G.O. Bonds | 3,610,000 | - | (475,000) | 3,135,000 | 485,000 |
| Golf Course Note Payable | 657,000 | - | - | 657,000 | - |
| Golf Course Capital Lease | 62,187 | - | (40,968) | 21,219 | 21,219 |
| Golf Course Capital Lease | 136,194 | - | (37,287) | 98,907 | 38,565 |
| Storm Water Capital Lease | 61,824 | - | (40,761) | 21,063 | 21,063 |
| Solid Waste Capital Lease | 138,000 | - | (17,521) | 120,479 | 18,207 |
| Unamortized Premium | 134,578 | 45,349 | (19,288) | 160,639 | - |
| Total Debt | <u>9,303,783</u> | <u>4,045,349</u> | <u>(1,114,825)</u> | <u>12,234,307</u> | <u>1,089,054</u> |
| Compensated Absences | <u>109,732</u> | <u>106,578</u> | <u>(98,249)</u> | <u>118,061</u> | <u>25,976</u> |
| <i>Total Business-type Activities</i> | <u>\$9,413,515</u> | <u>\$4,151,927</u> | <u>\$(1,213,074)</u> | <u>\$12,352,368</u> | <u>\$1,115,030</u> |

For the year ended June 30, 2011, \$123,971 of interest was charged as a direct expense in the governmental activities to the parks, recreation, and public property government function and \$393,777 of interest was charged to expense in the Business-type Activities. No interest was capitalized for the year ended June 30, 2011, in Governmental or Business-type Activities.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

7. BOND RESOLUTION COMPLIANCE

2002 Water Revenue Bonds:

The City is required to maintain a debt service reserve account. The balance in the reserve account related to this bond as of June 30, 2011 is \$116,000.

2006 Water Revenue Bonds:

Rate Covenant Requirements

The Series 2006 Water Revenue Bonds have a rate covenant requirement. This requires the Water Fund to have its rates and fees (including connection fees) to be sufficient to pay the system's operation and maintenance expenses (excluding depreciation) and to provide net revenues of not less than 125% of the annual debt service requirement for the forthcoming year. The City did meet this requirement for the fiscal year ended June 30, 2011 using the water fund, pressurized irrigation fund, and storm water fund revenues and expenses in making the calculations. The calculation is shown in the supplementary information.

Bond Fund

The City is required to, by the 15th day of each month, transfer and deposit into the Bond Fund, an amount equal to approximately one-sixth of the interest falling due on the next interest payment date, plus approximately one-twelfth of the principal and premium, if any, falling due on the next principal payment date, in an amount sufficient to pay the principal and interest on the bonds promptly on each such payment date.

Reserve Fund

A Debt Service Reserve Fund is required set at a total amount upon the time of issuance to be \$648,900. Of this amount, \$419,680 has been included in the reserve through a surety bond and is not reported as an asset or a reserve on the statements of net assets. The City was required to fund the difference with a deposit in a reserved cash account in the amount of \$229,220.

2010 Water Revenue Bonds:

Rate Covenant Requirements

The Series 2010 Water Revenue Bonds have a rate covenant requirement. This requires the Water Fund to have its rates and fees (including connection fees) to be sufficient to pay the system's operation and maintenance expenses (excluding depreciation) and to provide net revenues of not less than 125% of the annual debt service requirement for the forthcoming year. The City did meet this requirement for the fiscal year ended June 30, 2011 using the water fund, pressurized irrigation fund, and storm water fund revenues and expenses in making the calculations. The calculation is shown in the supplementary information.

Bond Fund

The City is required to, by the 15th day of each month, transfer and deposit into the Bond Fund, an amount equal to approximately one-sixth of the interest falling due on the next interest payment date, plus approximately one-twelfth of the principal and premium, if any, falling due on the next principal payment date, in an amount sufficient to pay the principal and interest on the bonds promptly on each such payment date.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

7. BOND RESOLUTION COMPLIANCE

Reserve Fund

A Debt Service Reserve Fund is required set at a total amount upon the time of issuance to be \$364,978. One-half of this reserve is satisfied with an insurance policy, the other half is satisfied with a deposit made into a reserve cash account at the time of issuance in the amount of \$182,489.

2009 General Obligation Bonds:

There are not any reserve requirements for these bonds.

Below is a table illustrating the bond reserves of the City and the method of funding those reserves:

| | <u>Restricted Cash Reported in Statements</u> | <u>Restricted Cash Offset by Debt</u> | <u>Restriction Funded with Insurance Policy</u> |
|--|---|---|---|
| 2002 Water Reserve Fund | \$ 116,000 | \$ - | \$ - |
| 2006 Water Bond Fund | 137,810 | - | - |
| 2006 Water Reserve Fund | 229,220 | - | 419,680 |
| 2010 Water Bond Fund | 96,822 | - | - |
| 2010 Water Reserve Fund | 182,489 | - | 182,489 |
| Unspent bond proceeds for construction | <u>3,615,105</u> | <u>3,615,105</u> | <u>-</u> |
| | <u>\$ 4,377,446</u> | <u>\$ 3,615,105</u> | <u>\$ 602,169</u> |

8. RESTRICTED BALANCES

The following table illustrates the amounts reported as restricted net assets, restricted fund balance, and restricted cash. The variances between restricted cash and restricted net assets occur under two occasions. First, if expenditures have been incurred for restricted purposes, but have yet to be paid with cash. Second, if the restriction is also offset by a corresponding debt such as the unspent bond proceeds. The restriction for nonspendables only exists in the governmental fund statements as the requirements for GASB 54 are only applicable to those statements.

| | <u>Restricted Cash</u> | <u>Restricted Net Assets</u> | <u>Restricted Fund Balance</u> |
|--|------------------------|----------------------------------|------------------------------------|
| Debt Service Reserves | \$ 762,341 | \$ 762,341 | \$ - |
| Unspent Bond Proceeds for Construction | 4,549,892 | - | 932,261 |
| Impact Fees | 2,077,815 | 2,077,815 | 1,889,649 |
| Property Tax Increment | 5,704 | 5,704 | 5,704 |
| Nonspendables | <u>-</u> | <u>-</u> | <u>47,214</u> |
| | <u>\$ 7,395,752</u> | <u>\$ 2,845,860</u> | <u>\$ 2,874,828</u> |

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

9. OTHER COMMITMENTS

Construction Contracts

The City has entered into contractual arrangements to construct infrastructure and buildings. The remaining portion of those contracts yet to be completed and paid are as follows:

| | <u>Commitment</u> | <u>Expended</u> | <u>Unexpended</u> |
|------------------|-------------------|-----------------|-------------------|
| Park Development | \$ 2,101,061 | \$ 1,969,752 | \$ 131,309 |
| | \$ 2,101,061 | \$ 1,969,752 | \$ 131,309 |

Weber Basin Water Conservancy District

In addition, the City entered into an agreement in January 2007 to reimburse the Weber Basin Water Conservancy District (Weber Basin) for constructing an extensive secondary waterline to service outdoor watering needs in the Foxboro area in the westernmost part of the City. The original engineer's estimate for this waterline was \$4,104,520 in January 2007. Based on this original estimate, and based on payments made by the City since that time, the City has a remaining balance of \$949,748 due to Weber Basin as of June 30, 2011. Payments from the City to Weber Basin are contingent upon water connection fees received. However, the contract will require a lump sum payment in the future if the connection fees have not paid off the balance due. The City is obliged to pay Weber Basin \$950 for each new water connection. Payments are made from secondary water impact fees collected in the Foxboro service area.

Developer Agreement

On November 24, 2008 the City entered into an agreement with a developer for the purchase of 13 acres of land for the Foxboro North Park. In exchange for the 13 acres, the City has committed to remit park development impact fees in the amount of \$2,200 to the developer as the fees are paid to the City along with building permits from that respective development. The total remaining commitment to the developer at June 30, 2011 is \$1,069,170.

10. RETIREMENT SYSTEMS

Plan Description - City of North Salt Lake contributes to the Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage, which is a cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

10. RETIREMENT SYSTEMS (continued)

Funding Policy –In the Local Governmental Noncontributory Retirement System City of North Salt Lake is required to contribute 13.37% of their annual covered salary. In the Public Safety Retirement System, the City is required to contribute 26.13% of covered salary to the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Defined Benefit Plan – The City of North Salt Lake contributes to the Local Governmental Noncontributory Retirement System. The contributions for June 30, 2011, 2010, and 2009 were \$286,119, \$235,746, and \$226,019, respectively. For the Public Safety Noncontributory Retirement System contributions for June 30, 2011, 2010, and 2009 were \$205,048, \$156,823, and \$139,387, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans

The City also provides a 401K plan for employees. The plan is adopted and amended by the City Council, administered by the trustees with the Utah Retirement Systems. The plan is funded by the City based on employee classification. The Plan covers all City employees and participants who are fully vested. The employer's share of contributions for the years ended June 30, 2011, 2010, and 2009, totaled \$151,211, \$220,144, and \$222,537. The 401(k) plan has an elective deferral option. Employee contributions for the year ended June 30, 2011, 2010, and 2009, totaled \$25,109, \$61,129, and \$37,209 respectively.

The City offers its employees a deferred compensation plan created 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 deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not contribute to the 457 plan.

11. 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; and natural disasters. The City maintains commercial liability and property insurance for all major programs. There have been no significant reductions in insurance coverage. The City makes monthly premium payments to the insurance provider to cover any claims on workers compensation. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The table below illustrates the coverage limits and deductibles for the various areas of risks that the City is exposed to:

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

11. RISK MANAGEMENT (Continued)

| | Coverage Limits | Deductible |
|---------------------------|-----------------|------------|
| General Liability | 2,000,000 | - |
| Auto Bodily Injury | 2,000,000 | - |
| Auto Property Damage | 2,000,000 | - |
| Underinsured Motorist | 80,000 | - |
| Uninsured Motorist | 80,000 | - |
| Builders Risk | 5,100,000 | 1,000 |
| Building | 7,126,500 | 1,000 |
| Building Contents | 608,326 | 1,000 |
| Contractors Equipment | 892,433 | 1,000 |
| Electronic Data Equipment | 59,800 | 1,000 |
| Equipment in the Open | 23,690 | 1,000 |
| Mobile Equipment | 45,640 | 1,000 |
| Treasurer's Fidelity Bond | 750,000 | - |

12. INTERFUND TRANSACTIONS

Transfers In/Out

Transfers for the year ended June 30, 2011 were as follows:

| <u>Transfers Out (Paying Fund)</u> | <u>Transfers In (Receiving Fund)</u> | | | | <u>Total</u> |
|------------------------------------|--------------------------------------|------------------------------|-------------------------|---------------------|--------------------|
| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Golf Course Fund</u> | <u>Debt Service</u> | |
| General Fund | \$ - | \$ 250,000 | \$ 745,250 | \$ 30,000 | \$1,025,250 |
| Water Fund | 130,000 | - | - | - | 130,000 |
| Police Facilities | - | 35,000 | - | - | 35,000 |
| Totals | <u>\$ 130,000</u> | <u>\$ 285,000</u> | <u>\$ 745,250</u> | <u>\$ 30,000</u> | <u>\$1,190,250</u> |

Often, funds are received in a given fund, but those funds are used for a purpose in which the expenditures are made in another fund. The transfer to the Golf Course Fund was to cover operating expenses and debt service payments the Golf Course Fund was unable to cover from its own revenues. The transfer to the General Fund was for the Water Fund to cover administrative costs. The transfer from the General Fund to the Capital Fund was to move money to fund current and future capital projects. The Police Facilities Fund transferred its share of the capital cost of the new building to the Capital Projects Fund and its share of the Debt Service on the building to the Debt Service Fund.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

12. INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables

Interfund receivables and payables as of June 30, 2011 were as follows:

| Due from Other Funds (Payable) | Due to Other Funds (Receivable) | | |
|--------------------------------|---------------------------------|---------------------|---------------------|
| | General | Capital Projects | Total |
| Water | \$ - | \$ 893,589 | \$ 893,589 |
| Storm Water | - | 666,137 | 666,137 |
| Golf | 630,791 | 1,149,647 | 1,780,438 |
| Solid Waste | - | 28,419 | 28,419 |
| RDA | - | 4,189 | 4,189 |
| Total | <u>\$ 630,791</u> | <u>\$ 2,741,981</u> | <u>\$ 1,559,726</u> |

The General Fund receivable is due entirely from the Golf Fund and represents transferred subsidies made to the Golf Fund from fiscal years 1994 through 2011. The remaining balances owed are due to the Capital Projects Fund as it has the financial resources available to loan the money. The City does not expect these to be paid within one year.

The City participates in the following special districts to provide services to its residents:

- Davis County Solid Waste Management and Emergency Recovery Special Service District
- South Davis Metro Fire Agency
- South Davis County Sewer District
- South Davis Recreation District

The Solid Waste Management District, Sewer District and Recreation District charge users directly for services received. The City paid the Fire Agency \$1,113,279 for fire services.

The City has representatives on the governing boards of the above districts but does not have total or final control over the fiscal or administrative activities of these entities. Payments or services to these entities are included in the expenditures of the City's general fund. Separate financial statements are prepared by these districts and are publicly available through their respective offices.

13. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the year ended June 30, 2011 the following departments and funds had expenditures over budget:

| | Budget | Actual | Actual Over Budget |
|---------------------------|-----------|-----------|--------------------|
| Recreation (General Fund) | \$ 28,000 | \$ 33,081 | \$ 5,081 |
| Roadway Facilities Fund | \$ - | \$ 1,960 | \$ 1,960 |

The City's Debt Service Fund had a fund balance deficit at year end of \$4,189.

CITY OF NORTH SALT LAKE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

14. REDEVELOPMENT AGENCY

In accordance with Utah State Law, the City makes the following disclosures relative to the North Salt Lake City Redevelopment Agency (RDA): The RDA collected \$0 for project area 2 of tax increment monies. No funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area.

The RDA expended \$63 towards professional and technical costs.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2011 the City had two significant subsequent events. The City acquired a piece of land as park property at the cost of \$235,213. Also, the City has reported a long-term note receivable in the amount of \$777,778 since April 2007. The City has received the cash on this note subsequent to year end. Consequently, the note is no longer reported as restricted for long-term purposes on the balance sheet.

16. RESTATED NET ASSETS

Prior to 2011 the City reported the Irrigation Water and the Water Fund all under the same fund, being the Water Fund. In 2011 the City has separated the operations and account balances of the Pressurized Irrigation Water Fund into its own fund. This change required \$138,971 of the beginning net assets of the Water Fund to be moved to the beginning net assets of the Pressurized Irrigation Fund.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|-------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Current Year Property Taxes | \$ 2,150,000 | \$ 2,125,000 | \$ 1,972,841 | \$ (152,159) |
| Redemptions | 3,300 | 5,000 | 5,197 | 197 |
| Fee in Lieu | 130,000 | 135,000 | 130,721 | (4,279) |
| Sales and Use Taxes | 2,134,000 | 2,274,000 | 2,342,852 | 68,852 |
| Franchise Taxes | 385,000 | 364,000 | 352,286 | (11,714) |
| Energy Sales Tax | 1,124,700 | 1,228,000 | 1,210,210 | (17,790) |
| Room Tax | 15,000 | 16,000 | 15,788 | (212) |
| | <u>5,942,000</u> | <u>6,147,000</u> | <u>6,029,895</u> | <u>(117,105)</u> |
| Licenses and Permits: | | | | |
| Business Licenses | 114,000 | 114,000 | 114,871 | 871 |
| Impact Fees | 75,000 | 50,000 | 23,268 | (26,732) |
| | <u>189,000</u> | <u>164,000</u> | <u>138,139</u> | <u>(25,861)</u> |
| Intergovernmental: | | | | |
| Grants | 147,000 | 250,000 | 247,150 | (2,850) |
| Class "C" Road Fund Allotment | 425,000 | 425,000 | 421,867 | (3,133) |
| State Liquor Allotment | 19,500 | 17,500 | 17,108 | (392) |
| | <u>591,500</u> | <u>692,500</u> | <u>686,125</u> | <u>(6,375)</u> |
| Charges for Services: | | | | |
| Plan Check Fees | 75,000 | 65,000 | 65,206 | 206 |
| Building Permits | 150,000 | 140,000 | 150,428 | 10,428 |
| Recreation | 12,500 | 12,500 | 12,806 | 306 |
| Engineering Fees | 8,000 | 9,000 | 12,648 | 3,648 |
| Other Fees | 13,000 | 19,000 | 21,787 | 2,787 |
| | <u>258,500</u> | <u>245,500</u> | <u>262,875</u> | <u>17,375</u> |
| Fines and Forfeitures | <u>625,000</u> | <u>485,000</u> | <u>505,688</u> | <u>20,688</u> |
| Other Revenues: | | | | |
| Interest Earnings | 97,000 | 85,000 | 73,560 | (11,440) |
| Sale of Fixed Assets | 10,000 | 180,000 | 181,097 | 1,097 |
| Miscellaneous Revenue | 7,000 | 86,500 | 93,902 | 7,402 |
| | <u>114,000</u> | <u>351,500</u> | <u>348,559</u> | <u>(2,941)</u> |
| Total Revenues | <u>\$ 7,720,000</u> | <u>\$ 8,085,500</u> | <u>\$ 7,971,281</u> | <u>\$ (114,219)</u> |

(continued)

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Expenditures: | | | | |
| General Government: | | | | |
| Legislative | \$ 141,350 | \$ 129,550 | \$ 122,270 | \$ 7,280 |
| Administrative | 417,000 | 456,100 | 436,951 | 19,149 |
| Judicial | 400,750 | 359,750 | 342,689 | 17,061 |
| Engineering | 273,300 | 265,300 | 255,960 | 9,340 |
| Buildings | 216,200 | 231,700 | 192,560 | 39,140 |
| | <u>1,448,600</u> | <u>1,442,400</u> | <u>1,350,430</u> | <u>91,970</u> |
| Public Safety: | | | | |
| Police Department | 1,995,500 | 2,053,200 | 2,028,787 | 24,413 |
| Fire Department | 1,188,000 | 1,167,000 | 1,137,379 | 29,621 |
| Animal Control | 20,000 | 23,000 | 22,980 | 20 |
| | <u>3,203,500</u> | <u>3,243,200</u> | <u>3,189,146</u> | <u>54,054</u> |
| Public Works | | | | |
| Road Department | 1,037,400 | 990,200 | 952,999 | 37,201 |
| Capital Projects | 418,000 | 638,000 | 604,811 | 33,189 |
| | <u>1,455,400</u> | <u>1,628,200</u> | <u>1,557,810</u> | <u>70,390</u> |
| Community Development | | | | |
| Planning and Zoning | 349,300 | 378,000 | 347,680 | 30,320 |
| Community Development | 34,000 | 40,000 | 34,362 | 5,638 |
| Building Inspection | 263,800 | 185,300 | 172,768 | 12,532 |
| | <u>647,100</u> | <u>603,300</u> | <u>554,810</u> | <u>48,490</u> |
| Parks | 394,950 | 416,950 | 410,517 | 6,433 |
| Recreation | 23,000 | 28,000 | 33,081 | (5,081) |
| Total Expenditures | <u>6,525,450</u> | <u>6,758,750</u> | <u>7,095,794</u> | <u>217,766</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 130,000 | 130,000 | 130,000 | - |
| Transfers out | (616,000) | (1,025,250) | (1,025,250) | - |
| Appropriation from Fund Balance | (61,450) | 171,800 | - | 171,800 |
| Total other financing sources (uses) | <u>(547,450)</u> | <u>(723,450)</u> | <u>(895,250)</u> | <u>171,800</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>647,100</u> | <u>603,300</u> | <u>(19,763)</u> | <u>(623,063)</u> |
| Fund Balance - July 1 | <u>1,235,145</u> | <u>1,235,145</u> | <u>1,235,145</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 1,882,245</u> | <u>\$ 1,838,445</u> | <u>\$ 1,215,382</u> | <u>\$ (623,063)</u> |

CITY OF NORTH SALT LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Impact fees | \$ 185,000 | \$ 115,000 | \$ 149,400 | \$ 34,400 |
| Interest | 35,000 | 28,000 | 15,798 | (12,202) |
| Total Revenues | <u>220,000</u> | <u>143,000</u> | <u>165,198</u> | <u>22,198</u> |
| Expenditures: | | | | |
| Improvements | 4,380,000 | 2,535,000 | 2,418,573 | 116,427 |
| Professional & technical | - | 10,000 | 15,116 | (5,116) |
| Payments to developers | 150,000 | 360,000 | 353,800 | 6,200 |
| Total Expenditures | <u>4,530,000</u> | <u>2,905,000</u> | <u>2,787,489</u> | <u>117,511</u> |
| Other financing sources (uses): | | | | |
| Appropriation from Fund Balance | 4,310,000 | 2,762,000 | - | 2,762,000 |
| Total other financing sources (uses) | <u>4,310,000</u> | <u>2,762,000</u> | <u>-</u> | <u>2,762,000</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(2,622,291)</u> | <u>(2,622,291)</u> |
| Fund Balance - July 1 | <u>4,962,394</u> | <u>4,962,394</u> | <u>4,962,394</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 4,962,394</u> | <u>\$ 4,962,394</u> | <u>\$ 2,340,103</u> | <u>\$ (2,622,291)</u> |

SUPPLEMENTARY INFORMATION

**CITY OF NORTH SALT LAKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011**

| | <u>Police Facilities</u> | <u>Roadway Development</u> | <u>Redevelopmen t Agency</u> | <u>Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|------------------------------|--------------------------------|----------------------------------|---------------------|--|
| ASSETS | | | | | |
| Restricted cash and cash equivalents | \$ 10,352 | \$ 471,455 | \$ 5,704 | \$ - | \$ 487,511 |
| TOTAL ASSETS | <u>\$ 10,352</u> | <u>\$ 471,455</u> | <u>\$ 5,704</u> | <u>\$ -</u> | <u>\$ 487,511</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other fund | - | - | - | 4,189 | 4,189 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,189</u> | <u>4,189</u> |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| Impact fees | 10,352 | 471,455 | - | - | 481,807 |
| Property tax increment | - | - | 5,704 | - | 5,704 |
| Unassigned | - | - | - | (4,189) | (4,189) |
| TOTAL FUND BALANCES | <u>10,352</u> | <u>471,455</u> | <u>5,704</u> | <u>(4,189)</u> | <u>483,322</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 10,352</u> | <u>\$ 471,455</u> | <u>\$ 5,704</u> | <u>\$ -</u> | <u>\$ 487,511</u> |

CITY OF NORTH SALT LAKE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Police Facilities</u> | <u>Roadway Development</u> | <u>Redevelopmen t Agency</u> | <u>Debt Service</u> | <u>Total Nonmajor Governmental Funds</u> |
|---|------------------------------|--------------------------------|----------------------------------|---------------------|--|
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 228,378 | \$ 228,378 |
| Impact fees | 27,835 | 157,936 | - | - | 185,771 |
| Interest | 116 | 1,710 | 9 | 260 | 2,095 |
| Total Revenues | <u>27,951</u> | <u>159,646</u> | <u>9</u> | <u>228,638</u> | <u>416,244</u> |
| EXPENDITURES | | | | | |
| Collection charges | - | - | - | 2,500 | 2,500 |
| Improvements | - | 1,960 | 63 | - | 2,023 |
| Payments to developers | - | - | - | - | - |
| Interest | - | - | - | 123,971 | 123,971 |
| Principal | - | - | - | 155,000 | 155,000 |
| Total Expenditures | <u>-</u> | <u>1,960</u> | <u>63</u> | <u>281,471</u> | <u>283,494</u> |
| Excess of Revenues Over (Under) Expenditures | <u>27,951</u> | <u>157,686</u> | <u>(54)</u> | <u>(52,833)</u> | <u>132,750</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers-In | - | - | - | 30,000 | 30,000 |
| Transfers-Out | (35,000) | - | - | - | (35,000) |
| Total Other Financing Sources and Uses | <u>(35,000)</u> | <u>-</u> | <u>-</u> | <u>30,000</u> | <u>(5,000)</u> |
| Net Change in Fund Balances | <u>(7,049)</u> | <u>157,686</u> | <u>(54)</u> | <u>(22,833)</u> | <u>127,750</u> |
| Fund Balances at Beginning of Year | <u>17,401</u> | <u>313,769</u> | <u>5,758</u> | <u>18,644</u> | <u>355,572</u> |
| Fund Balances at End of Year | <u>\$ 10,352</u> | <u>\$ 471,455</u> | <u>\$ 5,704</u> | <u>\$ (4,189)</u> | <u>\$ 483,322</u> |

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Interest | 50,000 | 20,000 | 17,304 | (2,696) |
| Total Revenues | <u>50,000</u> | <u>20,000</u> | <u>17,304</u> | <u>(2,696)</u> |
| Expenditures: | | | | |
| Parks, recreation, and public property | 1,000,000 | 935,000 | 677,961 | 257,039 |
| Total Expenditures | <u>1,000,000</u> | <u>935,000</u> | <u>677,961</u> | <u>257,039</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 50,000 | 285,000 | 285,000 | - |
| Transfer out | - | - | - | - |
| Appropriation from Fund Balance | 900,000 | 630,000 | - | 1,530,000 |
| Total other financing sources (uses) | <u>950,000</u> | <u>915,000</u> | <u>285,000</u> | <u>1,530,000</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(375,657)</u> | <u>(375,657)</u> |
| Fund Balance - July 1 | <u>4,809,446</u> | <u>4,809,446</u> | <u>4,809,446</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 4,809,446</u> | <u>\$ 4,809,446</u> | <u>\$ 4,433,789</u> | <u>\$ (375,657)</u> |

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR POLICE FACILITIES SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------|------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Impact fees | \$ 37,000 | \$ 19,500 | \$ 27,835 | \$ 8,335 |
| Interest | 3,000 | 500 | 116 | (384) |
| Total Revenues | <u>40,000</u> | <u>20,000</u> | <u>27,951</u> | <u>7,951</u> |
| Expenditures: | | | | |
| Improvements | - | - | - | - |
| Payments to developers | - | - | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | (50,000) | (35,000) | (35,000) | - |
| Appropriation from Fund Balance | 10,000 | 15,000 | - | 15,000 |
| Total other financing sources (uses) | <u>(40,000)</u> | <u>(20,000)</u> | <u>(35,000)</u> | <u>15,000</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(7,049)</u> | <u>(7,049)</u> |
| Fund Balance - July 1 | <u>17,401</u> | <u>17,401</u> | <u>17,401</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 17,401</u> | <u>\$ 17,401</u> | <u>\$ 10,352</u> | <u>\$ (7,049)</u> |

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-----------------|-----------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 25,000 | \$ 25,000 | \$ - | \$ (25,000) |
| Interest | - | - | 9 | 9 |
| Total Revenues | <u>25,000</u> | <u>25,000</u> | <u>9</u> | <u>(24,991)</u> |
| Expenditures: | | | | |
| Improvements | 25,000 | 25,000 | 63 | 24,937 |
| Payments to developers | - | - | - | - |
| Total Expenditures | <u>25,000</u> | <u>25,000</u> | <u>63</u> | <u>24,937</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>(54)</u> | <u>(54)</u> |
| Fund Balance - July 1 | <u>5,758</u> | <u>5,758</u> | <u>5,758</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 5,758</u> | <u>\$ 5,758</u> | <u>\$ 5,704</u> | <u>\$ (54)</u> |

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR ROADWAY DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Impact fees | \$ 200,000 | \$ 123,000 | \$ 157,936 | \$ 34,936 |
| Interest | 3,500 | 2,000 | 1,710 | (290) |
| Total Revenues | <u>203,500</u> | <u>125,000</u> | <u>159,646</u> | <u>34,646</u> |
| Expenditures: | | | | |
| Improvements | 3,500 | - | 1,960 | (1,960) |
| Payments to developers | - | - | - | - |
| Total Expenditures | <u>3,500</u> | <u>-</u> | <u>1,960</u> | <u>(1,960)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | - | - | - | - |
| Appropriation from (to) fund balance | (200,000) | (125,000) | - | (125,000) |
| Total other financing sources (uses) | <u>(200,000)</u> | <u>(125,000)</u> | <u>-</u> | <u>(125,000)</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>-</u> | <u>-</u> | <u>157,686</u> | <u>157,686</u> |
| Fund Balance - July 1 | <u>313,769</u> | <u>313,769</u> | <u>313,769</u> | <u>-</u> |
| Fund Balance - June 30 | <u>\$ 313,769</u> | <u>\$ 313,769</u> | <u>\$ 471,455</u> | <u>\$ 157,686</u> |

CITY OF NORTH SALT LAKE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 213,400 | \$ 231,000 | \$ 228,378 | \$ (2,622) |
| Interest | - | 600 | 260 | (340) |
| Total Revenues | 213,400 | 231,600 | 228,638 | (2,962) |
| Expenditures: | | | | |
| Collection charges | - | 1,000 | 2,500 | (1,500) |
| Interest | - | 124,000 | 123,971 | 29 |
| Principal | 213,400 | 155,000 | 155,000 | - |
| Total Expenditures | 213,400 | 280,000 | 281,471 | (1,471) |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | - | 30,000 | 30,000 | - |
| Appropriation from Fund Balance | - | 18,400 | - | 18,400 |
| Total other financing sources (uses) | - | 48,400 | 30,000 | 18,400 |
| Excess (Deficiency) of Revenues over Expenditures | - | - | (22,833) | (22,833) |
| Fund Balance - July 1 | 18,644 | 18,644 | 18,644 | - |
| Fund Balance - June 30 | \$ 18,644 | \$ 18,644 | \$ (4,189) | \$ (22,833) |

**CITY OF NORTH SALT LAKE
WATER FUND
SCHEDULE OF NET REVENUES AND AGGREGATE DEBT SERVICE
AS DESCRIBED IN THE BOND DOCUMENTS FOR THE WATER BONDS
YEAR ENDED JUNE 30, 2011**

NET REVENUES:

| | |
|--|--------------|
| Total Operating Revenues | \$ 3,043,194 |
| Non-Operating Revenues | |
| Interest Income | 12,454 |
| Impact Fees | 475,754 |
| | 3,531,402 |
| Operating Expenses (excluding depreciation) | 2,159,497 |
| Interest Expense | 270,148 |
| | 2,429,645 |
| NET REVENUES | \$ 1,101,757 |

ANNUAL DEBT SERVICE (FORTHCOMING YEAR):

| | |
|------------|------------|
| 2002 Bonds | 127,960 |
| 2006 Bonds | 413,430 |
| 2010 Bonds | 290,466 |
| | \$ 831,856 |

| | |
|---|------|
| NET REVENUES DIVIDED BY AGGREGATE DEBT SERVICE | 132% |
| MINIMUM REQUIREMENT | 125% |
| EXCESS (DEFICIENCY) | 7% |

AUDITORS' REPORTS

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

Honorable Mayor and City Council
City of North Salt Lake

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Salt Lake as of and for the year ended June 30, 2011, which collectively comprise the City of North Salt Lake's basic financial statements and have issued our report thereon dated October 6, 2011. 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 the City of North Salt Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Salt Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of North Salt Lake'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 of North Salt Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of North Salt Lake, in a separate letter dated October 6, 2011.

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

Ogden, UT
October 6, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH
LEGAL COMPLIANCE AUDIT GUIDE

The Honorable Mayor and City Council
City of North Salt Lake, Utah

We have audited the City of North Salt Lake's compliance with general and major state program compliance requirements described in *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

| | |
|---------------------------------|-------------------------|
| Public Debt | Liquor Law Enforcement |
| Cash Management | Purchasing Requirements |
| B & C Road Funds | Budgetary Compliance |
| Other General Compliance Issues | Truth in Taxation |
| Uniform Building Code Standards | Impact Fees |
| URS Compliance | Asset Forfeiture |
| Fund Balance | Justice Court |

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

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

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

Independent Auditor's Report on State Legal Compliance
Page 2

In our opinion, the City of North Salt Lake, 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which are described in the accompanying schedule of findings as items #11-01 through #11-04.

Management's response to the findings identified in our audit are described in the schedule of findings. We did not audit the management's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the City, the City Council, the Mayor, and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

September 22, 2011

**CITY OF NORTH SALT LAKE
SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

STATE COMPLIANCE FINDINGS:

Finding #11-01: Utah State Code 10-6 requires each department of the general fund to not incur expenditures in excess of the appropriation for that department. The code also requires that special revenue funds, capital projects funds, and debt service funds not incur expenditures in excess of the total appropriation of that fund. We noted the City did not comply with this requirement as the recreation department in the general fund and the roadway facilities fund had expenditures in excess of appropriations.

Recommendation: We recommend the City maintain expenditures within their appropriations and/or open up the budget late in the year to make adjustments for unexpected expenditures in the year.

Response: The City agrees with this recommendation and will make efforts to maintain actual expenditures within their respective budgets.

Finding #11-02: Utah State Code 11-36a-601 requires municipalities to prepare an impact fee report which identifies funds by the year in which they were received, the project from which the funds were collected, the capital projects for which the funds were budgeted, and the projected schedule for expenditure; in a format developed by the state auditor. We noted the City's report did not include the capital projects for which the funds were budgeted or the projected schedule of expenditures.

Recommendation: We recommend the City adjust the formatting of their impact fee report to include all required components and to follow the format developed by the state auditor.

Response: The City agrees with this recommendation and will make the necessary adjustments to their impact fee report.

Finding #11-03: Utah State Code 17-36-17 requires all funds to maintain positive fund balances. We noted the debt service fund had a fund balance deficit at year end.

Recommendation: We recommend the City make the necessary budget adjustments in the 2012 year to bring the fund balance to a positive position.

Response: The City agrees with this recommendation and will make the necessary adjustments to 2012 budget.

**CITY OF NORTH SALT LAKE
SUMMARY OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

STATE COMPLIANCE FINDINGS (Continued):

Finding #11-04: All eligible employees for membership in the Utah Retirement System are required to be enrolled. The City of North Salt Lake recently missed an employee who should have been covered.

Recommendation: We recommend the City closely monitor the enrollment of employees to ensure that all eligible employees are enrolled and receive their respective retirement contribution.

Response: The City agrees with this recommendation and will closely monitor enrollment in the retirement system.