

WEST BOUNTIFUL CITY

**Annual Financial Report
For the Fiscal Year Ended June 30, 2011
(With Accountants' Report Therein)**

WEST BOUNTIFUL CITY

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
West Bountiful City Corporation
West Bountiful City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City Utah, as of and for the year ended June 30, 2011, which collectively comprises the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, such basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 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 November 15, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit 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 9 and 40 through 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements' 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.

CERTIFIED PUBLIC ACCOUNTANTS

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

A handwritten signature in blue ink that reads "Karren Hendrix, Stagg, Allen & Co". The signature is written in a cursive style.

Karren, Hendrix, Stagg, Allen & Company
November 15, 2011

West Bountiful City

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

West Bountiful City's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2011. As management of the City, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The assets of West Bountiful City exceeded its liabilities at the end of the current fiscal year by \$16,462,909 (net assets). Of this amount, \$300,004 (unrestricted assets) is available to meet ongoing obligations of citizens and creditors. Net assets increased by \$968,176.

The City's Governmental activities reported a combined ending fund balance of \$10,343,255. Of the combined total fund balance, \$908,029 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unassigned fund balance of the general fund at June 30, 2011, totaled \$356,896 and is 13% of the general fund total revenues for the year. Total debt for West Bountiful City decreased approximately \$539,840. Since the City has increased the total fund balance, the financial position of the City has improved this year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to West Bountiful City's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

Government-wide financial statements give readers a broad overview of the entire City's financial position, and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the statement of net assets and the statement of activities.

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

The statement of activities shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for West Bountiful City include general government, public works, public safety, parks, and redevelopment departments. The business-type activities include water, golf course, solid waste, and storm drain operations.

The government-wide financial statements include only the financial statements of West Bountiful City. The City redevelopment agency is a blended component unit.

The government-wide financial statements are found immediately following this discussion and analysis.

Fund financial statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. West Bountiful City, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds and proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements to aid in the comparison.

West Bountiful City uses two different major government funds, which are the general fund, and redevelopment fund. The information on these funds is shown separately. The City has five nonmajor funds which are police fees impact fund, park impact fee fund, rap tax fund, street impact fee fund, and the capital improvement fund. The City adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Within the proprietary funds are the enterprise funds. The enterprise funds report the same functions as the business-type activities in the government-wide financial statements. The enterprise funds maintained by West Bountiful City are the water, golf course, solid waste, and storm drain.

Proprietary funds present the same information as in the government-wide statements, but in more detail. All of the proprietary funds are considered to be major funds of West Bountiful City.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

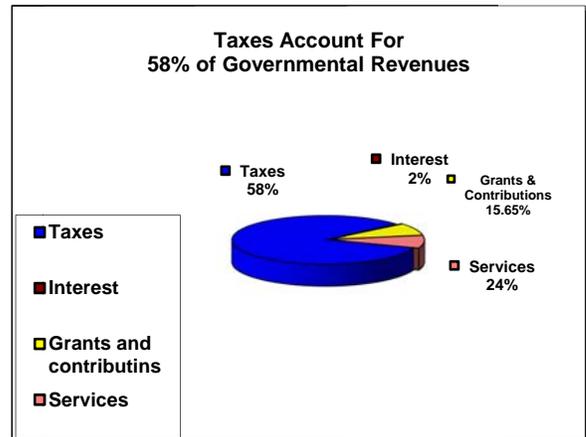
OTHER INFORMATION

Other information is contained in this report immediately following the notes to the financial statements and required supplementary information as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	\$ 4,153,399	\$ 3,587,035	\$ 103,327	\$ (570,789)	\$ 4,256,726	\$ 3,016,246
Capital assets	9,869,851	9,946,038	8,262,832	8,252,429	18,132,683	18,198,467
Other assets	202,604	42,557	3,274,184	3,697,292	3,476,788	3,739,849
Total assets	\$ 14,225,854	\$ 13,575,630	\$ 11,640,343	\$ 11,378,932	\$ 25,866,197	\$ 24,954,562
Current and other liabilities	\$ 1,824,940	\$ 1,774,380	\$ 700,752	\$ 655,849	\$ 2,525,692	\$ 2,430,229
Long-term liabilities	2,057,659	1,840,447	4,819,937	5,121,137	6,877,596	6,961,584
Total liabilities	3,882,599	3,614,827	5,520,689	5,776,986	9,403,288	9,391,813
Net assets						
Invested in capital assets, net of related debt	8,044,851	8,061,038	6,246,778	6,043,306	14,291,629	14,104,344
Restricted	1,390,375	1,188,270	480,901	209,951	1,871,276	1,398,221
Unrestricted	908,029	711,495	(608,025)	(651,311)	300,004	60,184
Total net assets	10,343,255	9,960,803	6,119,654	5,601,946	16,462,909	15,562,749
Total liabilities and net assets	\$ 14,225,854	\$ 13,575,630	\$ 11,640,343	\$ 11,378,932	\$ 25,866,197	\$ 24,954,562

By far the largest component of West Bountiful City's net assets is its investment in capital assets. The 87% of total net assets represents the City's investment in land and improvements, buildings, machinery and equipment, roads, and other infrastructure, less any related outstanding debt that was used to acquire these assets. West Bountiful City uses these capital assets to provide services to citizens who live, work, pass through, or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.



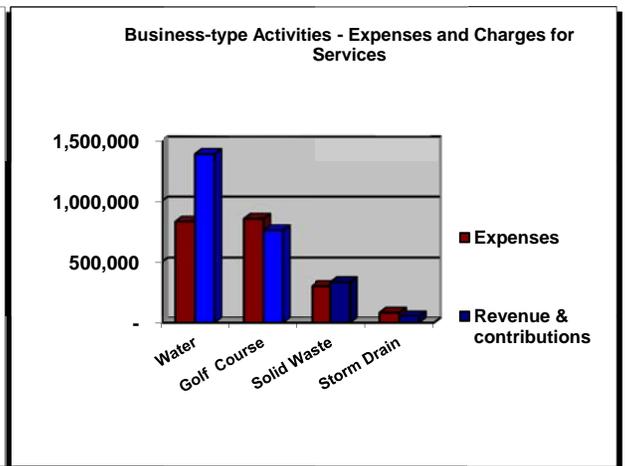
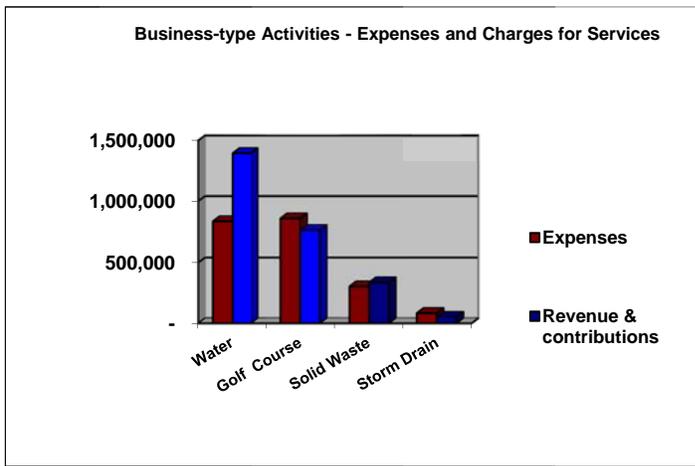
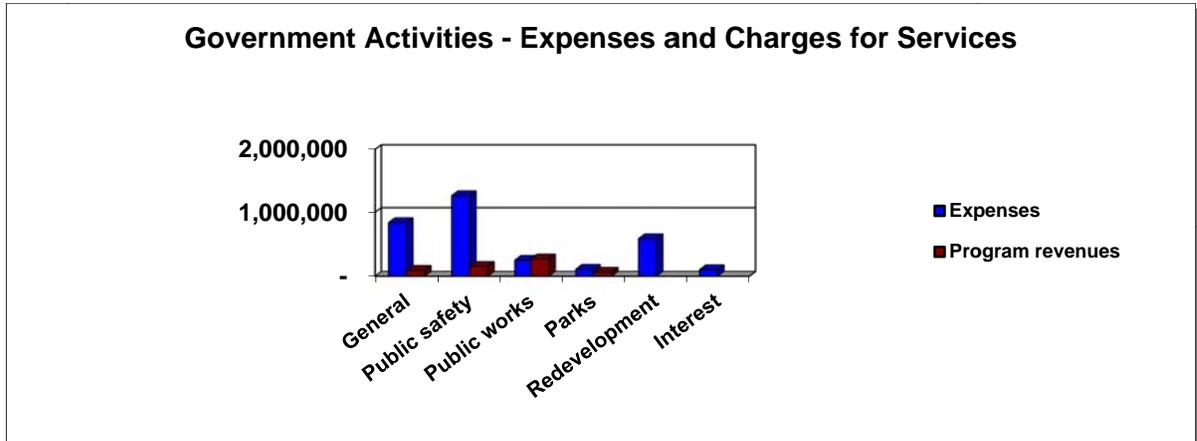
An additional part of net assets, 11%, are assets that are subject to external restrictions on how they may be expended. The remaining 2% of net assets can be used to meet the City's ongoing obligations to its creditors and to citizens.

WEST BOUNTIFUL CITY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for services	\$ 295,092	\$ 267,664	\$ 2,560,361	\$ 2,164,289	\$ 2,855,453	\$ 2,431,953
Operating grants and contributions	286,117	183,840	-	-	286,117	183,840
Capital grants and contributions	-	38,714	65,531	-	65,531	38,714
General revenues:						
Property taxes, levied for general purposes	932,013	751,329	-	-	932,013	751,329
Franchise taxes	426,049	413,195	-	-	426,049	413,195
Sales taxes	1,584,655	1,847,868	-	-	1,584,655	1,847,868
Other revenues	(2,638)	71,008	28,145	2,500	25,507	73,508
Investment earnings	9,311	9,394	21,938	26,427	31,249	35,821
Total revenues	3,530,599	3,583,012	2,675,975	2,193,216	6,206,574	5,776,228
Expenses						
General government	838,766	953,761	-	-	838,766	953,761
Public safety	1,260,372	1,289,172	-	-	1,260,372	1,289,172
Public works	249,343	429,559	-	-	249,343	429,559
Parks and recreation	108,759	92,152	-	-	108,759	92,152
Redevelopment	586,514	505,481	-	-	586,514	505,481
Interest expense	102,118	102,328	-	-	102,118	102,328
Water	-	-	896,803	740,869	896,803	740,869
Solid waste	-	-	306,754	268,865	306,754	268,865
Storm Drain	-	-	89,945	61,007	89,945	61,007
Golf course	-	-	799,024	927,858	799,024	927,858
Total Expenses	3,145,872	3,372,453	2,092,526	1,998,599	5,238,398	5,371,052
Transfers	(2,275)	(2,439)	2,275	2,439	-	-
CHANGE IN NET ASSETS	382,452	208,120	585,724	197,056	968,176	405,176
Prior period adjustment	-	-	(68,016)	-	(68,016)	-
NET ASSETS, BEGINNING	9,960,803	9,752,683	5,601,946	5,404,890	15,562,749	15,157,573
NET ASSETS, ENDING	\$ 10,343,255	\$ 9,960,803	\$ 6,119,654	\$ 5,601,946	\$ 16,462,909	\$ 15,562,749

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities net assets increased by \$382,452 for the year ended June 30, 2011. The major reason for the increase resulted from capital outlay expenditures.



Business-type activities contributed an amount of \$585,724 increase in net assets. The most significant reason for this increase in business-type activities is charges for services for water, golf course, solid waste, and storm sewer assets. The City also received \$21,938 in invested earnings and \$65,531 in impact fees during the year for business-type activities.

FINANCIAL ANALYSIS OF WEST BOUNTIFUL CITY'S FUNDS

West Bountiful City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2011.

For the period ended June 30, 2011, the City's governmental funds reported combined net assets in the amount of \$2,317,970, with a decrease of \$391,151, compared with the prior fiscal year. Of the total balance at year-end, \$570,699 is assigned. There is also an amount of \$1,288,088 reserved for specific capital projects and \$162,287 for debt service.

The General Fund is the main operating fund for West Bountiful City. At June 30, 2011, the general fund's unassigned fund balance was \$356,896. Total fund balance of the general fund for West Bountiful City increased by \$223,004. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year.

The capital projects fund had a total fund balance of \$558,823 at June 30, 2011, all of which is assigned for capital projects. There was no significant increase in the capital improvement fund balance over the prior year.

The redevelopment special revenue fund had a total fund balance of \$11,876. The total fund balance increased \$26,763 due to increased collection of personal property in the Commons RDA.

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's major proprietary funds totaled \$(608,025). Discussions about the finances of this fund are addressed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund budget adjustments were approved to account for decreases in sales tax revenues as well as grant monies received to fund solar improvements to the City Hall. General Fund expenses were increased to account for capital and grant spending in general government, public safety, and parks.

BUDGETARY HIGHLIGHTS

The RAP Tax special revenue fund budget was increased to accommodate improvement to the ball diamonds and large bowery at the City Park. Increases to the redevelopment special revenue fund were approved to account for increased revenues from personal property assessments in the Commons RDA.

CAPITAL ASSET AND DEBT ADMINISTRATION

West Bountiful City's investment in capital assets for its governmental and business type activities combined totaled \$18,132,683 (net of \$5,026,518 accumulated depreciation) at June 30, 2011. Types of assets included in this category are land, buildings, and related improvements, vehicles, machinery and equipment, roads (including curb and gutter), street lights, traffic signals, water and waste water distribution, and collection systems. The City's investment in net capital assets equals nearly 70% of total assets.

Major capital asset activities that occurred during the past fiscal year include:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and water rights	\$ 5,101,489	\$ 5,101,489	\$ 1,743,497	\$ 1,743,497	\$ 6,844,986	\$ 6,844,986
Office equipment	-	-	-	-	-	-
Buildings	2,199,893	2,199,893	308,938	308,938	2,508,831	2,508,831
Improvements, other than buildings	3,553,403	3,389,262	7,895,181	7,862,497	11,448,584	11,251,759
Vehicles	351,469	385,357	309,160	300,521	660,629	685,878
Machinery and equipment	537,319	529,846	644,372	692,796	1,181,691	1,222,642
Work in process	7,790	-	506,690	302,078	514,480	302,078
Accumulated depreciation	(1,881,512)	(1,659,809)	(3,145,006)	(2,957,928)	(5,026,518)	(4,617,737)
Net book value	<u>\$ 9,869,851</u>	<u>\$ 9,946,038</u>	<u>\$ 8,262,832</u>	<u>\$ 8,252,399</u>	<u>\$ 18,132,683</u>	<u>\$ 18,198,437</u>

At June 30, 2011, West Bountiful City's total debt amounted to \$6,899,847 of which \$5,074,847 was incurred by the City's business-type activities and the remaining \$1,825,000 was incurred by the City's governmental units. Most of the City's debt is known as revenue bonds and is secured by specific revenue sources (i.e. property taxes, sales tax, and water user fees).

Additional information on West Bountiful City's capital assets and debt can be found in Note 6 in the notes to the City's basic financial statements.

**West Bountiful City's Outstanding Debt
Revenue Bonds**

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation	\$ -	\$ -	\$ 635,000	\$ 835,000	\$ 635,000	\$ 835,000
Revenue bonds	<u>\$ 1,825,000</u>	<u>\$ 1,885,000</u>	<u>\$ 4,439,846</u>	<u>\$ 4,719,687</u>	<u>6,264,846</u>	<u>6,604,687</u>
Totals	<u>\$ 1,825,000</u>	<u>\$ 1,885,000</u>	<u>\$ 5,074,846</u>	<u>\$ 5,554,687</u>	<u>\$ 6,899,846</u>	<u>\$ 7,439,687</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

West Bountiful City anticipates a slow economic recovery, with sales tax revenues only slightly ahead of prior fiscal years. Overall loss of revenue has been offset by decreased staffing through retirements and attrition, implementation of spending freezes, and reorganizing City structure to expand efficiencies. Future investment in development along the 500 South/Legacy Corridor could bring more high paying jobs and therefore more sales tax revenues in to the City. As of November 15, 2011, interlocal agreements for the proposed area have been adopted by taxing entities with the hope of development in the near future. Increases in the amount of building permits issued to date are further indication that the City is in recovery mode.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of the West Bountiful City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to West Bountiful City, 550 North 800 West, West Bountiful City, Utah 84087.

WEST BOUNTIFUL CITY

Statement of Net Assets June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents			
Restricted	\$ 908,301	\$ 480,951	\$ 1,389,252
Unrestricted	79,885	558,118	638,003
Prepaid expense	11,122	80,600	91,722
Receivables			
Property, franchise, and excise taxes	1,800,870	-	1,800,870
Accounts, less allowance for doubtful accounts of \$10,758	39,257	193,575	232,832
Inventories	-	104,047	104,047
Internal balances	1,313,964	(1,313,964)	-
Total current assets	<u>4,153,399</u>	<u>103,327</u>	<u>4,256,726</u>
NONCURRENT ASSETS			
Restricted cash	<u>162,287</u>	<u>3,058,793</u>	<u>3,221,080</u>
Property and equipment, (net)			
Land and easements	5,101,489	1,743,497	6,844,986
Work in process	7,790	506,690	514,480
Buildings	1,785,357	165,018	1,950,375
Improvements, other than buildings	2,749,452	5,456,001	8,205,453
Vehicles	66,169	157,022	223,191
Machinery and equipment	159,594	234,604	394,198
Net property and equipment	<u>9,869,851</u>	<u>8,262,832</u>	<u>18,132,683</u>
Bond issue costs, less accumulated amortization of \$243,731	<u>40,317</u>	<u>215,391</u>	<u>255,708</u>
Total noncurrent assets	<u>10,072,455</u>	<u>11,537,016</u>	<u>21,609,471</u>
Total assets	<u>\$ 14,225,854</u>	<u>\$ 11,640,343</u>	<u>\$ 25,866,197</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Statement of Net Assets, Continued June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 173,083	\$ 67,176	\$ 240,259
Accounts payable to related parties	-	11,409	11,409
Checks issued excess of cash		58,586	58,586
Restricted assets:			
Current portion of revenue bonds	65,000	385,840	450,840
Accrued interest	15,772	-	15,772
Deferred revenues	1,426,636	64,978	1,491,614
Current portion installment payable	96,000	-	96,000
Accrued liabilities	48,449	112,763	161,212
Total current liabilities	<u>1,824,940</u>	<u>700,752</u>	<u>2,525,692</u>
NON-CURRENT LIABILITIES			
Deposits, advance rentals, and long-term accruals	136,066	59,006	195,072
Long term portion installment	116,775	-	116,775
Long-term compensation liability	44,818	71,925	116,743
Restricted assets:			
Long-term portion of revenue bonds	1,760,000	4,689,006	6,449,006
Total non-current liabilities	<u>2,057,659</u>	<u>4,819,937</u>	<u>6,877,596</u>
Total liabilities	<u>3,882,599</u>	<u>5,520,689</u>	<u>9,403,288</u>
NET ASSETS			
Investment in capital assets, net of related debt	8,044,851	6,246,778	14,291,629
Restricted for:			
Specific projects and programs	1,228,088	334,813	1,562,901
Debt service	162,287	146,088	308,375
Unrestricted	908,029	(608,025)	300,004
Total net assets	<u>10,343,255</u>	<u>6,119,654</u>	<u>16,462,909</u>
Total liabilities and net assets	<u>\$ 14,225,854</u>	<u>\$ 11,640,343</u>	<u>\$ 25,866,197</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Statement of Activities

For the Fiscal Year Ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Government activities							
General government	\$ 838,766	\$ 91,975	\$ -	\$ -	\$ (746,791)	\$ -	\$ (746,791)
Public safety	1,260,372	139,440	13,760	-	(1,107,172)	-	(1,107,172)
Public works	249,344	-	272,357	-	23,013	-	23,013
Parks	108,759	63,677	-	-	(45,082)	-	(45,082)
Redevelopment	586,514	-	-	-	(586,514)	-	(586,514)
Interest on long-term debt	102,117	-	-	-	(102,117)	-	(102,117)
Total government activities	<u>3,145,872</u>	<u>295,092</u>	<u>286,117</u>	<u>-</u>	<u>(2,564,663)</u>	<u>-</u>	<u>(2,564,663)</u>
Business-type activities							
Water utility	896,803	1,397,568	-	65,531	-	566,296	566,296
Golf course	799,024	765,101	-	-	-	(33,923)	(33,923)
Solid waste	306,754	339,380	-	-	-	32,626	32,626
Storm drain	89,945	58,312	-	-	-	(31,633)	(31,633)
Total business-type activities	<u>2,092,526</u>	<u>2,560,361</u>	<u>-</u>	<u>65,531</u>	<u>-</u>	<u>533,366</u>	<u>533,366</u>
Total primary government	<u>5,238,398</u>	<u>2,855,453</u>	<u>286,117</u>	<u>65,531</u>	<u>(2,564,663)</u>	<u>533,366</u>	<u>(2,031,297)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					932,013	-	932,013
Franchise taxes					426,049	-	426,049
Sales taxes					1,584,655	-	1,584,655
Investment earnings					9,311	21,938	31,249
Disposal of assets					(2,638)	(652)	(3,290)
Other revenue					-	28,797	28,797
Transfers					(2,275)	2,275	-
Total general revenues, special items, and transfers					<u>2,947,115</u>	<u>52,358</u>	<u>2,999,473</u>
Changes in net assets					382,452	585,724	968,176
Net assets, July 1, 2010					9,960,803	5,601,946	15,562,749
Prior period adjustment					-	(68,016)	(68,016)
Net assets, June 30, 2011					<u>\$ 10,343,255</u>	<u>\$ 6,119,654</u>	<u>\$ 16,462,909</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Balance Sheet Governmental Funds June 30, 2011

	<u>General</u>	<u>Special Revenue Redevelopment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
ASSETS				
Cash and cash equivalents				
Unrestricted	\$ 79,102	\$ -	\$ 783	\$ 79,885
Restricted	309,085	16,292	745,212	1,070,589
Receivables (net)				-
Property, franchise, and excise tax	1,206,136	600,000	33,990	1,840,126
Fees	-	-	-	-
Due from other funds	449,924	-	864,040	1,313,964
Prepaid expenses	11,122	-	-	11,122
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,055,369</u>	<u>\$ 616,292</u>	<u>\$ 1,644,025</u>	<u>\$ 4,315,686</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 174,908	\$ 3,000	\$ 3,912	\$ 181,820
Accrued salaries	30,207	709	-	30,916
Accrued liabilities	40,382	707	-	41,089
Installment payable	212,775	-	-	212,775
Deposits	104,480	-	-	104,480
Deferred revenue	826,636	600,000	-	1,426,636
Total liabilities	<u>1,389,388</u>	<u>604,416</u>	<u>3,912</u>	<u>1,997,716</u>
FUND BALANCES				
Unassigned	356,896	-	-	356,896
Assigned for capital projects	-	-	558,823	558,823
Assigned for development	-	11,876	-	11,876
Reserved for:				
Class C road	146,798	-	-	146,798
Rap tax	-	-	340,247	340,247
Impact fees	-	-	741,043	741,043
Debt service	162,287	-	-	162,287
Total fund balances	<u>665,981</u>	<u>11,876</u>	<u>1,640,113</u>	<u>2,317,970</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,055,369</u>	<u>\$ 616,292</u>	<u>\$ 1,644,025</u>	<u>\$ 4,315,686</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets For the Fiscal Year Ended June 30, 2011

TOTAL FUND BALANCE \$ 2,317,970

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

Land	\$ 5,101,489	
Work in process	7,790	
Buildings	2,199,892	
Improvements, other than buildings	3,553,403	
Equipment	537,318	
Vehicles	351,470	
Less accumulated depreciation	<u>(1,881,511)</u>	
Total capital assets		9,869,851

Bond costs are expensed in the governmental funds and capitalized and amortized in the government wide statements. 40,317

Receivables in the governmental funds are recorded when measurable and available, and accrued in the government wide statements.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather as an expenditure when due. All liabilities, both current and long-term, are reported in the statements of net assets.

Accrued liabilities	(44,111)	
Accrued interest on bonds	(15,772)	
Current portion of revenue bonds	(60,000)	
Long-term portion of revenue bonds	<u>(1,765,000)</u>	
Total liabilities		<u>(1,884,883)</u>

Total net assets of governmental activities \$ 10,343,255

WEST BOUNTIFUL CITY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Special Revenue Redevelopment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES				
General property taxes	\$ 591,494	\$ 608,818	\$ -	\$ 1,200,312
Sales, use, and excise taxes	1,130,560	-	-	1,130,560
Franchise taxes	410,535	-	-	410,535
Other taxes	15,513	-	185,796	201,309
Impact fees	-	-	55,542	55,542
Licenses	73,384	-	-	73,384
Interest	3,164	-	6,147	9,311
Intergovernmental	286,117	-	-	286,117
Charges for services	4,439	-	-	4,439
Fines	137,655	-	-	137,655
Miscellaneous	27,773	-	-	27,773
Total revenues	<u>2,680,634</u>	<u>608,818</u>	<u>247,485</u>	<u>3,536,937</u>
EXPENDITURES				
Current				
General government	653,927	-	-	653,927
Public works	294,901	-	-	294,901
Public safety	1,241,951	-	-	1,241,951
Parks	116,548	-	-	116,548
Redevelopment	-	582,055	-	582,055
Capital outlay	-	-	93,801	93,801
Debt service:				
Principal	60,000	-	-	60,000
Interest	100,328	-	-	100,328
Total expenditures	<u>2,467,655</u>	<u>582,055</u>	<u>93,801</u>	<u>3,143,511</u>
Revenues over expenditures	<u>212,979</u>	<u>26,763</u>	<u>153,684</u>	<u>393,426</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers, in	10,025	-	-	10,025
Operating transfers, out	-	-	(12,300)	(12,300)
Total other financing sources (uses)	<u>10,025</u>	<u>-</u>	<u>(12,300)</u>	<u>(2,275)</u>
Revenue and other sources over expenditures and other uses	223,004	26,763	141,384	391,151
FUND BALANCE, JULY 1, 2010	<u>442,977</u>	<u>(14,887)</u>	<u>1,498,729</u>	<u>1,926,819</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 665,981</u>	<u>\$ 11,876</u>	<u>\$ 1,640,113</u>	<u>\$ 2,317,970</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2011

NET CHANGES IN FUND BALANCES, TOTAL GOVERNMENTAL FUNDS \$ 391,151

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$268,917) was more than capital outlay (\$199,068). (69,849)

Asset proceeds are recorded in the fund statement, and gain and loss on sale of asset is recorded in the government wide statement. (6,338)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. 60,000

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. This adjustment is as follows:

Accrued absences 9,278
Accrued interest (1,790)

Change in net assets of governmental activities \$ 382,452

WEST BOUNTIFUL CITY

Statement of Net Assets Proprietary Funds June 30, 2011

	<u>Water Utility Fund</u>	<u>Golf Course Fund</u>	<u>Solid Waste Fund</u>	<u>Storm Drain Utility Fund</u>	<u>Totals Proprietary Fund</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents					
Restricted	\$ 443,276	\$ -	\$ -	\$ 37,675	\$ 480,951
Unrestricted	475,985	72,946	9,187	-	558,118
Prepaid expense	60,269	20,331	-	-	80,600
Inventories	48,156	55,891	-	-	104,047
Receivables					
Accounts, less allowance					
for doubtful account of \$10,758	133,946	-	30,734	28,895	193,575
Due from other funds	193,411	-	200,000	-	393,411
Total current assets	<u>1,355,043</u>	<u>149,168</u>	<u>239,921</u>	<u>66,570</u>	<u>1,810,702</u>
NON-CURRENT ASSETS					
Restricted cash	<u>3,058,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,058,793</u>
Property and equipment, at cost					
Land and easements	74,370	1,510,386	-	158,741	1,743,497
Buildings	-	308,938	-	-	308,938
Improvements, other than buildings	4,333,956	1,808,988	-	1,752,237	7,895,181
Machinery and equipment	143,241	421,022	80,109	-	644,372
Vehicles	309,160	-	-	-	309,160
Work in process	506,690	-	-	-	506,690
Accumulated depreciation	<u>(1,460,044)</u>	<u>(1,176,512)</u>	<u>(40,208)</u>	<u>(468,242)</u>	<u>(3,145,006)</u>
Net property and equipment	<u>3,907,373</u>	<u>2,872,822</u>	<u>39,901</u>	<u>1,442,736</u>	<u>8,262,832</u>
Bond issue costs, less accumulated amortization of \$268,127	<u>145,365</u>	<u>70,026</u>	<u>-</u>	<u>-</u>	<u>215,391</u>
Total non-current assets	<u>145,365</u>	<u>70,026</u>	<u>-</u>	<u>-</u>	<u>215,391</u>
Total assets	<u>\$ 8,466,574</u>	<u>\$ 3,092,016</u>	<u>\$ 279,822</u>	<u>\$ 1,509,306</u>	<u>\$ 13,347,718</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Statement of Net Assets Proprietary Funds, Continued June 30, 2011

	Water Utility Fund	Golf Course Fund	Solid Waste Fund	Storm Drain Utility Fund	Totals Proprietary Fund
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	\$ 26,112	\$ 15,778	\$ 1,447	\$ 23,839	\$ 67,176
Accounts payable to related party	-	-	11,409	-	11,409
Checks issued excess of cash	-	-	-	58,586	58,586
Current portion bonds payable	185,840	200,000	-	-	385,840
Deferred revenue	-	64,978	-	-	64,978
Accrued liabilities	72,369	22,732	12,975	4,687	112,763
Total current liabilities	<u>284,321</u>	<u>303,488</u>	<u>25,831</u>	<u>87,112</u>	<u>700,752</u>
NONCURRENT LIABILITIES					
Deposits, advance rentals, and long term accruals	59,006	-	-	-	59,006
Long term compensation liability	16,603	55,322	-	-	71,925
Due other funds	-	1,707,375	-	-	1,707,375
Bonds payable	4,254,006	435,000	-	-	4,689,006
Total noncurrent liabilities	<u>4,329,615</u>	<u>2,197,697</u>	<u>-</u>	<u>-</u>	<u>6,527,312</u>
Total liabilities	<u>4,613,936</u>	<u>2,501,185</u>	<u>25,831</u>	<u>87,112</u>	<u>7,228,064</u>
NET ASSETS					
Investment in capital assets, net of related debt	2,526,319	2,237,822	39,901	1,442,736	6,246,778
Restricted debt service	146,088	-	-	-	146,088
Restricted impact fees	297,138	-	-	37,675	334,813
Unrestricted	883,093	(1,646,991)	214,090	(58,217)	(608,025)
Total net assets	<u>3,852,638</u>	<u>590,831</u>	<u>253,991</u>	<u>1,422,194</u>	<u>6,119,654</u>
Total liabilities and net assets	<u>\$ 8,466,574</u>	<u>\$ 3,092,016</u>	<u>\$ 279,822</u>	<u>\$ 1,509,306</u>	<u>\$ 13,347,718</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2011

	Water Utility Fund	Golf Course Fund	Solid Waste Fund	Storm Drain Utility Fund	Totals Proprietary Fund
OPERATING REVENUE					
Revenue secured by revenue bond	\$ 1,397,568	\$ -	\$ -	\$ -	\$ 1,397,568
Sales and charges for services	-	765,101	339,380	83,718	1,188,199
Total operating revenue	<u>1,397,568</u>	<u>765,101</u>	<u>339,380</u>	<u>83,718</u>	<u>2,585,767</u>
OPERATING EXPENDITURES					
Personnel services	252,333	457,668	-	38,178	748,179
Water purchases	121,403	11,118	-	-	132,521
Utilities	4,490	15,822	-	-	20,312
Supplies	135,946	225,664	9,204	11,415	382,229
Other	4,810	3,171	-	1,822	9,803
Purchased services	-	-	293,024	-	293,024
Depreciation and amortization	136,076	85,581	4,526	38,530	264,713
Total operating expenditures	<u>655,058</u>	<u>799,024</u>	<u>306,754</u>	<u>89,945</u>	<u>1,850,781</u>
Operating income (loss)	<u>742,510</u>	<u>(33,923)</u>	<u>32,626</u>	<u>(6,227)</u>	<u>734,986</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	21,573	-	-	365	21,938
Other revenue	2,598	93	700	-	3,391
Impact fees	65,531	-	-	-	65,531
Loss disposal of assets	-	-	(652)	-	(652)
Interest expense	(181,157)	(60,588)	-	-	(241,745)
Total non-operating revenues (expenses)	<u>(91,455)</u>	<u>(60,495)</u>	<u>48</u>	<u>365</u>	<u>(151,537)</u>
Transfers					
Transfers in	-	-	-	2,275	2,275
Transfers (out)	-	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,275</u>	<u>2,275</u>
Increase in net assets	651,055	(94,418)	32,674	(3,587)	585,724
Prior period adjustment	(68,016)	-	-	-	(68,016)
NET ASSETS, JULY 1, 2010	<u>3,269,599</u>	<u>685,249</u>	<u>221,317</u>	<u>1,425,781</u>	<u>5,601,946</u>
NET ASSETS, JUNE 30, 2011	<u>\$ 3,852,638</u>	<u>\$ 590,831</u>	<u>\$ 253,991</u>	<u>\$ 1,422,194</u>	<u>\$ 6,119,654</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Statement of Cash Flows Proprietary Funds For The Fiscal Year Ended June 30, 2011

	Water Utility Fund	Gold Course Fund	Solid Waste Fund	Storm Drain Fund	Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,415,424	\$ 762,574	\$ 334,916	\$ 54,823	\$ 2,567,737
Payments to suppliers	(212,803)	(219,986)	(4,739)	(13,237)	(450,765)
Payments to employees	(241,658)	(456,791)	(280,049)	(33,491)	(1,011,989)
Net cash provided by operating activities	<u>960,963</u>	<u>85,797</u>	<u>50,128</u>	<u>8,095</u>	<u>1,104,983</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING					
Interfund loans	199,425	254,509	(170,532)	(58,321)	225,081
Operating transfers	-	-	-	2,275	2,275
Net cash provided from non-capital and related financing	<u>199,425</u>	<u>254,509</u>	<u>(170,532)</u>	<u>(56,046)</u>	<u>227,356</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(225,464)	(17,650)	-	(8,845)	(251,959)
Impact fees	65,531	-	-	-	65,531
Other	2,598	-	699	-	-
Principal paid on bonds and leases	(451,910)	(249,710)	-	-	(701,620)
Net cash (used) provided in capital and related financing activities	<u>(609,245)</u>	<u>(267,360)</u>	<u>699</u>	<u>(8,845)</u>	<u>(888,048)</u>
Cash flows from investing activities					
Investment earnings	21,573	-	-	365	21,938
Net cash provided by investing activities	<u>21,573</u>	<u>-</u>	<u>-</u>	<u>365</u>	<u>21,938</u>
Net increase (decrease) in cash and cash equivalents	572,716	72,946	(119,705)	(56,431)	466,229
CASH AND CASH EQUIVALENTS, JULY 1, 2010	<u>3,405,338</u>	<u>-</u>	<u>128,892</u>	<u>35,520</u>	<u>3,569,750</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2011	<u>\$ 3,978,054</u>	<u>\$ 72,946</u>	<u>\$ 9,187</u>	<u>\$ (20,911)</u>	<u>\$ 4,035,979</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 742,510	\$ (13,592)	\$ 32,626	\$ (6,227)	\$ 755,317
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	136,076	85,581	4,526	38,530	264,713
Increase (decrease) due to changes in:					
Accounts receivable	16,956	-	(4,464)	(28,895)	(16,403)
Inventory	27,734	(320)	-	-	27,414
Accounts payable	26,112	15,778	4,465	-	46,355
Deposits	900	-	-	-	900
Deferred revenue	-	(2,527)	-	-	(2,527)
Accrued liabilities affecting operating activities	10,675	877	12,975	4,687	29,214
Net cash provided by operating activities	<u>\$ 960,963</u>	<u>\$ 85,797</u>	<u>\$ 50,128</u>	<u>\$ 8,095</u>	<u>\$ 1,104,983</u>

The accompanying notes are an integral part of this statement.

West Bountiful City

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

West Bountiful City was incorporated in 1948. The City operates under a mayor-council form of government and provides the following services authorized by its charter: public safety, highways and streets, parks, recreation, planning and zoning, and administrative services. The City also provides water, solid waste, storm drain, and golf course services which are reported as proprietary enterprise funds.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. 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 is discussed below.

Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds, agencies, and authorities for which the City holds corporate powers, and all component units for which the City is financially accountable. The Governmental Accounting Standards Board (GASB) has established criteria to consider in determining financial accountability. The criteria are: appointment of a majority of the voting members of an organization's governing board and, either (1) the City has the ability to impose its will on the organization or, (2) there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

The City established a Redevelopment Agency (RDA) pursuant to state code and designated the City Council and the 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 major governmental fund. Financial information for the component unit may be obtained at the City's office, located at 550 North 800 West, West Bountiful, Utah 84087.

Basis of Presentation – Government-Wide and Fund Financial Statements

Government-wide statements are comprised of the statement of net assets and the statement of activities. They contain information on all of the activities of the primary government and its component. Most effects of inter-fund activities have been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues, while business-type activities receive a significant portion of revenues from fees and charges for services.

The statement of activities is presented to show the extent that program revenues of a given activity support direct expenses. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenues are: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given activity or, (2) grants or other contributions that are restricted to operations or capital needs of a specific activity. General revenues are those revenues, such as taxes and other items, which are not properly reported as program revenues.

Separate financial statements are included for governmental funds and proprietary funds. Major individual governmental funds are reported in separate columns in the governmental funds statements, as are major individual proprietary funds in the proprietary funds statements.

Measurement Focus and Basis of Accounting

Measurement focus refers to the types of assets that appear on the statement of net assets, and changes to those same assets, which appear on the statement of activities. The flow of financial resources measurement focus shows current assets and liabilities on the statement of net assets and changes to net current assets in the statement of activities. The flow of economic resources measurement focus shows total assets and liabilities on the statement of net assets and changes to net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-Wide and Proprietary Fund Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of the related cash flows. Unbilled fees for proprietary funds are recorded as receivables at year end. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar other contributions are recognized as revenue as soon as the eligibility requirements of the provider have been met. West Bountiful City's enterprise funds are the water, solid waste, storm drain, and the golf course operations and all are major funds of the City.

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

The Solid Waste Fund accounts for the activities of the City's garbage collection system.

The Storm Drain Fund accounts for the provision of this service to the residents of the City.

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

Proprietary funds have separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charged to customers for services. Operating expenses include the cost of providing water services, administrative overhead expenses, and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

Governmental Fund Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. As a practical matter, West Bountiful City uses 60 days as a cut-off for meeting the available criterion. Property taxes are considered "measurable" when levied, and available when collected and held by the county. Any amounts not available are recorded as deferred revenue. Franchise taxes are considered "measurable" when collected and held by the utility company, and are recognized as revenue at that time. Other revenues that are determined to be susceptible to accrual include grants earned and other intergovernmental revenues, and assessments. Property taxes and assessments are recorded as receivables when levied or assessed. However, they are reported as deferred revenue until the "available" criterion has been met. Sales and use taxes collected by the state and remitted to the City within the "available" time period are recognized as revenue. Revenues collected in advance are deferred and recognized in the period to which they apply.

Revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period (60 days), or are not objectively measurable, include licenses, permits, and miscellaneous revenues. Revenue is recognized when cash is received.

Expenditures are recognized in the accounting period in which the fund liability is incurred, except for long-term obligations (debt service payments and long term compensated absences) and related interest which are recognized as expenditures when due. Inventories of supplies are expended when purchased.

West Bountiful City has two major governmental funds: the general fund and the redevelopment agency special revenue fund.

General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Redevelopment Fund provides redevelopment activities located within City limits and is accounted for as a special revenue fund.

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Manager/Budget Officer and City Council on or before June 22nd for the following fiscal year, which begins on July 1st. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations.

Budgets include activities in several different funds, including the General Fund, special revenue funds, and enterprise funds. Annual budgets are also adopted for capital projects which may include activities which overlap several fiscal years. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established at the department level. Each department head is responsible to the Mayor and City Council for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance until it exceeds 5% of the General Fund revenues. Until the unreserved fund balance is greater than the above percentage, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When an unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance, in which case a public hearing must be held. The governmental funds budget is prepared using the modified accrual basis of accounting. Governmental appropriations lapse at year-end.

With the approval of the City Administrator, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgets for the General Fund, Capital Projects Fund, and Special Revenue Funds are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

Expenditures in the Capital Projects Fund are budgeted annually on a project-by-project basis. Although it is the intention of the City that each project be funded by a specific revenue source, the adopted budget reflects only total anticipated revenues by source. Since it is neither practical, nor appropriate to separate revenues and fund balance on a project-by-project basis, the Capital Projects Fund is reported as an individual fund in the accompanying financial statements.

Cash, Cash Equivalents, and Investments

The City complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The City’s policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The City’s investment in the State Treasurer’s Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements, the City considers all highly liquid investments, including restricted assets that mature within ninety days or less when purchased, to be cash equivalents.

Depreciable Fixed Assets

Fixed assets are valued at historical cost, or estimated historical cost, for assets where actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City has a capitalization threshold of \$5,000 for vehicles and equipment and \$50,000 for buildings and improvements. The City follows GAAP by capitalizing a portion of its interest costs (net of any interest earned on related interest bearing investments acquired with proceeds of related tax-exempt borrowings) as a cost of constructed property and equipment in enterprise funds. Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

Buildings	30	years
Improvements, other than buildings	20-50	years
Machinery and equipment, including leased		
Property, under capital leases	7	years
Infrastructure roads, signals, lights, and bridges	40	years
Utility systems	50	years
Vehicles	7	years

Bond Issuance Costs and Amortization

Amortization of bond issue costs and bond discounts are computed on the straight-line method over the life of the related bonds.

Property Taxes

Ad valorem (based on value) property taxes constitute a major source of general fund revenue. Taxes are levied through the passage of an ordinance in June of each year. The levy is applicable to only one year. All taxable property is required to be assessed and taxed at a uniform and equal rate on the basis of its fair market value. The county assessor is required to assess all other taxable property, and both entities are required to assess the respective types of property, as of January 1, the assessment date. The county is then required to complete the tax rolls by May 15. By July 21 the county treasurer is to mail assessed value and tax notices to property owners. A taxpayer may then petition the county board of equalization between August 1 and August 15 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1. On this same date the auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15 a lien is attached to the property. The outstanding amount

of taxes and penalties bear interest from January 1 until paid. If, after five years, delinquent taxes have not been paid, the county sells the property at a tax sale. Tax collections are remitted to the City from the county on a monthly basis. With the July 1, 2000, adoption of Statement of Governmental Accounting Standards (SGAS) No. 33, more fully described below, West Bountiful City changed its accounting for property taxes.

SGAS No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which “a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange.” For property taxes, at January 1 of each year (the assessment date), West Bountiful City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2010.

The Utah State Tax Commission collects sales and telecommunication taxes and remits them to the City monthly.

Franchise taxes are collected by natural gas and electric utility companies and are remitted monthly. Cable television companies collect the franchise taxes and remit them to the City semi-annually.

Inter-fund Transactions

In the normal course of its operations, the City has various transactions between funds. Transfers are recognized as operating transfers in and out, respectively, by the funds receiving and providing the transfer.

Inventories and Prepaid Items

Inventories of the enterprise funds are stated at cost using the first-in-first-out (FIFO) method.

Long-term Liabilities

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of restricted funds

The City has funds with various restrictions. When an expense is incurred which meets the requirements to release the restriction, such restricted funds are first used to satisfy the expense followed by any unrestricted funds needed to satisfy the expense.

Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a bi-weekly basis and is fully vested when earned. Accumulated vacation cannot exceed 240 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation, up to 240 hours, is paid to the employee or his or her beneficiary. Accumulated sick leave is earned at a rate of 4 hours per pay period. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave up to 1,440 hours.

Accumulated sick leave paid to employees upon retirement is limited depending on years of service with West Bountiful City as follows:

- Retiring employees with at least ten years of City service may cash out 20% of accumulated hours, or 288 hours, whichever is less.
- Retiring employees with at least 20 years of City service may cash out 40% of accumulated hours, or 576 hours, whichever is less.
- Retiring employees with at least 25 years of City service may cash out 50% of accumulated hours, or 720 hours, whichever is less.

The amount of accumulated leave is accrued when incurred in the government-wide, proprietary fund financial statements. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the general and capital projects funds.

Estimates

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

Estimates

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

2. INTER-LOCAL AGREEMENTS

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 District
- South Davis Sewer District

The Davis County Solid Waste Management and Emergency Recovery Special Service District bills the City for services received and the City bills its residents for this service. The City paid the Davis County Solid Waste Management and Energy Recovery Special Service District \$154,529 for their services. The City paid the South Davis Metro Fire District \$329,774 for fire services. South Davis Sewer District bills the City's residents directly for the services provided.

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 for

services to these entities are included as expenditures of the City's General Fund and enterprise fund.

3. COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN

West Bountiful City contributes to the Local Governmental Contributory Retirement Systems and the Local Governmental Contributory Retirement Systems administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems is established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issues a publicly available financial report that includes financial statements and required supplementary information from the Local Governmental Contributory Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1 (800) 365-8772.

Funding Policy

West Bountiful City is required to contribute 9.360% of the annual covered salary for the contributory employer contributions and 6.00% for the employer paid for employee contributions. The City is required to pay 14.860% for the Public Safety system and 12.290% for the employer paid for employee public Safety System contributions. The contribution rates are the actuarial determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

West Bountiful City's contributions to the Local Governmental Contributory and Public safety Retirements Systems for the years ended June 30, 2011, 2010, and 2009, were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contributory System			
Contributory employer contributions	\$ 56,320	\$ 51,326	\$ 44,388
Employer paid for employee	36,103	40,256	34,997
Salaries subject to contribution	602,303	670,929	583,285
Public Safety System			
Contributory employer contributions	43,281	33,213	28,533
Employer paid for employee	35,796	32,733	31,254
Salaries subject to contribution	291,262	266,341	254,304
457 Contribution System			
Employer paid for employee contributions	-	10,667	10,302
Employee's contributions	20,159	19,763	16,818
401(k) Plan			
Employer paid for employee contributions	32,808	127,199	172,363
Employee's contributions	48,604	51,385	38,416

These contributions were equal to the required contributions for each year.

4. INTERFUND TRANSFERS

Transfers to the general fund were \$10,025. The transfers from the police fees, park impact fund, rap tax, and capital improvements funds were \$725, \$5,300, \$4,000 and \$2,275, respectively. Transfers to the storm drain fund were \$2,275. These transfers are outlined as follows:

<u>Funds</u>	<u>Out</u>	<u>In</u>
General	\$ -	\$ 10,025
Police fees	725	-
Park impact	5,300	-
Rap tax	4,000	-
Capital improvements	2,275	-
storm drain	-	2,275
Total	<u>\$ 12,300</u>	<u>\$ 12,300</u>

The purpose of the transfers is to fund capital projects for financing capital improvements.

5. CAPITAL ASSETS

The following schedule summarizes the changes in capital assets for governmental and business type activities during the year ended June 30, 2011.

<u>ACTIVITY</u>	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
GOVERNMENTAL ACTIVITIES				
Nondepreciated assets				
Land	\$ 5,101,489	\$ -	\$ -	\$ 5,101,489
Work in process	-	7,790	-	7,790
Total nondepreciated assets	<u>5,101,489</u>	<u>7,790</u>	<u>-</u>	<u>5,109,279</u>
Depreciated assets				
Buildings	2,199,893	-	-	2,199,893
Improvements	3,389,262	164,141	-	3,553,403
Equipment	529,846	7,473	-	537,319
Vehicles	385,357	19,662	(53,550)	351,469
Total depreciated assets	<u>6,504,358</u>	<u>191,276</u>	<u>(53,550)</u>	<u>6,642,084</u>
Less accumulated depreciation				
Buildings	(345,713)	(68,823)	-	(414,536)
Improvements other than buildings	(691,795)	(112,156)	-	(803,951)
Machinery and equipment	(324,506)	(53,219)	-	(377,725)
Vehicles	(297,795)	(34,718)	47,213	(285,300)
Total accumulated depreciation	<u>(1,659,809)</u>	<u>(268,916)</u>	<u>47,213</u>	<u>(1,881,512)</u>
Net assets depreciated	<u>4,844,549</u>	<u>(77,640)</u>	<u>(6,337)</u>	<u>4,760,572</u>
Total governmental activities	<u>9,946,038</u>	<u>(69,850)</u>	<u>(6,337)</u>	<u>9,869,851</u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated assets				
Land	1,743,497	-	-	1,743,497
Work in process	302,078	204,612	-	506,690
Total nondepreciated assets	<u>2,045,575</u>	<u>204,612</u>	<u>-</u>	<u>2,250,187</u>
Depreciated assets				
Buildings	308,938	-	-	308,938
Improvements other than buildings	7,862,497	32,684	-	7,895,181
Equipment	692,796	29,865	(78,287)	644,374
Vehicles	300,521	8,639	-	309,160
Total depreciated assets	<u>9,164,752</u>	<u>71,188</u>	<u>(78,287)</u>	<u>9,157,653</u>
Less accumulated depreciation				
Buildings	(133,801)	(10,119)	-	(143,920)
Improvements other than buildings	(2,255,862)	(183,318)	-	(2,439,180)
Machinery and equipment	(434,009)	(53,396)	77,635	(409,770)
Vehicles	(134,256)	(17,882)	-	(152,138)
Total accumulated depreciation	<u>(2,957,928)</u>	<u>(264,715)</u>	<u>77,635</u>	<u>(3,145,008)</u>
Net assets depreciated	<u>6,206,824</u>	<u>(193,527)</u>	<u>(652)</u>	<u>6,012,645</u>
Total business type assets	<u>8,252,399</u>	<u>11,085</u>	<u>(652)</u>	<u>8,262,832</u>
Total combined assets	<u>\$ 18,198,437</u>	<u>\$ (58,765)</u>	<u>\$ (6,989)</u>	<u>\$ 18,132,683</u>

Depreciation expense for the year ended June 30, 2011, is as follows:

	Governmental Types	Business Types	Totals
FUNCTION			
General government	\$ 98,332	\$ -	\$ 98,332
Public safety	44,339	-	44,339
Public works	119,257	-	119,257
Parks and recreation	6,988	-	6,988
Water	-	136,076	136,076
Solid waste	-	4,526	4,526
Storm drain	-	38,530	38,530
Golf course	-	85,581	85,581
Totals	<u>\$ 268,916</u>	<u>\$ 264,713</u>	<u>\$ 533,629</u>

6. LONG-TERM DEBT

Bonds payable at June 30, 2011, are comprised of the following individual issues:

<u>Long-Term Debt</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
\$2,215,000 original issue sales tax revenue bonds series 2004 due in annual principal installments. The rate varies from 3 to 5.4% and the bond matures in 2029.	\$ 1,885,000	\$ -	\$ 60,000	\$ 1,825,000	\$ 65,000
Total governmental long-term debt	<u>1,885,000</u>	<u>-</u>	<u>60,000</u>	<u>1,825,000</u>	<u>65,000</u>
BUSINESS-TYPE ACTIVITIES					
Water revenue bonds series 2009. Original issue was \$4,785,000 with interest from 2.5% to 4.05%. The bonds are secured by water revenues. The bonds mature in 2029.	4,605,000	-	180,000	4,425,000	185,000
Water bond premium	15,687	-	841	14,846	840
Water refunding bond series 2004. Original issue was \$640,000 with an interest rate from 2.05% to 4.02%. The city makes annual installments January 1st of each year and is secured by water revenues.	99,000	-	99,000	-	-
Golf refunding bonds general obligation series 2003. Original amount of \$2,020,000 with interest from 2.25% to 3.50%. The bonds mature in 2013.	835,000	-	200,000	635,000	200,000
Total business-type long-term debt	<u>5,554,687</u>	<u>-</u>	<u>479,841</u>	<u>5,074,846</u>	<u>385,840</u>
Total long term debt	<u>\$ 7,439,687</u>	<u>\$ -</u>	<u>\$ 539,841</u>	<u>\$ 6,899,846</u>	<u>\$ 450,840</u>
Compensated absences					
Governmental funds	\$ 53,389	\$ -	\$ 8,571	\$ 44,818	\$ -
Business funds	58,641	13,285	-	71,926	-
Total	<u>\$ 112,030</u>	<u>\$ 13,285</u>	<u>\$ 8,571</u>	<u>\$ 116,744</u>	<u>\$ -</u>

Compensated absences are generally liquidated by the general, water, and golf course funds.

Governmental Activities:

Sales Tax Revenue Bonds, Series 2004: In May 2004, the City issued Sales Tax Revenue Bonds, Series 2004 with an original issue amount of \$2,215,000 to fund the acquisition and construction of a new City Hall and Public Works building. There were costs associated with the issuance of the bonds of \$56,000 that are being amortized over the life of the bonds. The bonds have an interest rate ranging from 3.0% to 5.4%. The City is required to make annual principal installments on May 1st of each year and semi-annual interest payments on May 1st and November 1st of each year.

The City has pledged the future sales tax revenue to service the debt. The City is required to maintain a debt service reserve account. The balance in the debt service reserve account related

to this bond as of June 30, 2011, is \$162,287. The bonds mature in May 2029.

The annual debt requirement to maturity, including principal and interest as of June 30, 2011, is listed in the following table:

Government Activities			
Series 2004 Sales Tax Revenue Bonds			
Year Ending June 30	Rates	Principal	Interest
2012	4.50%	\$ 65,000	\$ 94,628
2013	4.75%	70,000	91,702
2014	4.75%	70,000	88,376
2015	5.00%	75,000	85,052
2016	5.00%	80,000	81,302
2017-2021	5.00-5.25%	450,000	343,714
2022-2026	5.25-5.4%	585,000	213,376
2027-2031	5.40%	430,000	47,250
Totals		<u>\$ 1,825,000</u>	<u>\$ 1,045,400</u>

Business Type Activities:

Water Revenue Refunding Bonds, Series 2009: In February 2009, the City issued Water Revenue Bonds, Series 2009 with an original issue amount of \$4,785,000 for the purpose of financing the acquisition and construction of certain improvements to the existing water systems. The cost associated with the issuance of the bonds of \$164,564, is being amortized over the life of the bonds. The bonds have an interest rate ranging from 2.50% to 4.05%. The City is required to make annual principal installments due on February 1st of each year. The City is also required to make semi-annual interest payments on February 1st and August 1st of each year. The City has pledged future water revenue to service the debt. The bonds mature in February 2029.

The debt service reserve requirement for the Series 2009 bonds is \$353,753 and has been satisfied by acquiring a debt service reserve insurance policy. The annual debt service requirements to maturity, including principal and interest for the Series 2009 Water Revenue Refunding Bonds as of June 30, 2011, are as follows:

Business Activities			
Series 2009 Water Revenue Bonds			
Year Ending June 30	Rate	Principal	Interest
2012	2.50%	\$ 185,000	\$ 163,240
2013	2.50%	190,000	158,614
2014	2.50%	195,000	153,864
2015	2.75%	200,000	148,990
2016	2.75%	205,000	143,490
2017-2021	3.00-3.85%	1,135,000	618,520
2022-2026	3.85-4.35%	1,355,000	388,050
2027-2031	4.35-4.45%	960,000	86,474
Totals		<u>\$ 4,425,000</u>	<u>\$ 1,861,242</u>

General Obligation Golf Course Refunding Bond, Series 2003: In July 2003, the City issued General Obligation Golf Course Refunding Bonds, Series 2003 with an original issue amount of \$2,020,000 to refinance the outstanding Series 1995 General Obligation Refunding Bonds issued for the acquisition, design, and construction of land improvements in connection with the Lakeside Golf Course which is owned and operated by West Bountiful City. The bonds have an

interest rate ranging from 2.25% to 3.50%. There were costs associated with the issuance of these bonds including the unamortized portion of the Series 1995 Bonds, totaling \$287,838, which is being amortized over the life of the bond. The City is required to make annual principal installments due on September 1st of each year and make semi-annual interest payments on March 1st and September 1st of each year. The bonds mature in September 2013.

The annual debt service requirements to maturity, including principal and interest for the Series 2003 General Obligation Golf Course Refunding Bonds as of June 30, 2011, are as follows:

Business Activities			
Golf Refunding Bonds Series 2003			
<u>Year Ending June 30</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>
2012	3.25%	\$ 200,000	\$ 18,213
2013	3.38%	210,000	11,419
2014	3.50%	225,000	3,949
2015		-	-
2016		-	-
2017-2021		-	-
2022-2026		-	-
2027-2031		-	-
Totals		<u>\$ 635,000</u>	<u>\$ 33,581</u>

7. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the City's funds. Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	\$ 5,189,749
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Cash investments and cash equivalents as of June 30, 2011, consist of the following:

Cash on hand	\$ 273
Deposits with financial institutions	496,583
Investments state treasure	<u>4,692,893</u>
Total cash and cash equivalents	<u>\$ 5,189,749</u>

Investments Authorized by the Utah Government Code

The City follows the requirements of the Utah Money Management Act in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution in whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the City and the conditions for making investments and investment

transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements, or invested in securities representing direct obligations of, or obligations guaranteed by, the United States government, agencies of the United States government, any state within the territorial United States of America, or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the type of authorized investments it makes. 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 funds are not rated.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements, or invested in securities representing direct obligations of, or obligations guaranteed by agencies of the U.S. government, or any state within the territorial United States of America, or repurchase agreements or interest-bearing time deposits with state or national banks meeting certain minimum net worth requirements.

As of June 30, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1 Year</u>	<u>1 - 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer Investment Fund	\$ 4,692,893	\$ 4,692,893	\$ -	\$ -
Total investments	\$ 4,692,893	\$ 4,692,893	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that occurs when changes in interest rates will adversely affect the fair value of an investment. The City policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. In accordance with that act, the remaining term to maturity of the investments above do not exceed the period of availability of these funds.

Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. The City’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act. As of June 30, 2011, the Utah Public Treasurer’s Investment Fund was unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial Credit Risk Deposits

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy of custodial credit risk. As of June 30, 2011, no deposits were exposed to custodial credit risk because they were uninsured and uncollateralized.

Custodial Credit Risk Investments

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

8. RESERVED FUND BALANCES

The City records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amounts of all reserves used by the City.

<u>Description</u>	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>
Specific projects	\$ 1,228,088	\$ 334,813	\$ 1,562,901
Bond reserve and escrow funds	162,287	146,088	308,375
Totals	<u>\$ 1,390,375</u>	<u>\$ 480,901</u>	<u>\$ 1,871,276</u>

9. INTEREST EXPENSE

The proprietary fund incurred \$241,745 in interest expense of which \$241,745 was charged to expense and \$0 was capitalized. The governmental funds incurred \$100,328 in interest expense.

10. RESTRICTED CASH

The City governmental funds has restricted cash of \$908,301 for specific projects and programs and \$162,287 for bond reserve funds. The utility fund has restricted cash of \$480,751 for specific projects and \$3,058,793 in the bond reserve and construction escrow accounts.

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 participates in the Utah Local Government Insurance Trust (the Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the Trust for its general liability insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through

commercial companies for claims in excess of one million dollars for each insured event. The City had several claims brought against them during the fiscal year. However, the City had no claim settlements during the three years ending June 30, 2011, which exceeded its insurance coverage. The City also has a fidelity bond with a private carrier.

12. TOTAL COLUMNS

Total columns on the governmental fund statements are captioned "Total" and are presented to facilitate financial analysis. Data in these columns does not represent consolidated information since interfund eliminations have not been made.

13. RELATED PARTY INFORMATION

The Mayor serves on the board of the South Davis Fire District. The City paid the entity \$329,77 for services provided for the year ended June 30, 2011.

14. CONTINGENCIES

Business Revenue Sharing Agreement - The City has entered into two distinct business revenue sharing agreements. The first agreement was established in 1990 and the share of sales tax revenue the City keeps is 65%. The agreement has a maximum term of 50 years and has 30 years until the terms are satisfied.

In June of 2004, the City entered into its second business revenue sharing agreement where the City would repay sales tax to the developers with a maximum obligation of \$10,800,000. The term of the agreement, for tax increment purposes, is 10 years, beginning in 2006 and ending in 2016.

In 2008, the City was made aware of the erroneous collection and remittance of franchise tax to the City from Holly Oil. For three years, Rocky Mountain Power collected franchise tax from Holly Oil and remitted it to the City. Holly Oil is exempt from this type of tax and should not have had to pay it. It came to the attention of the City that they were responsible to pay back \$645,775 to Holly Oil. An agreement was made to repay \$200,000 in 2008 with monthly payment of \$3,000 until June 2009. The City will pay \$8,000 per month from July 2009 until the final payment occurring prior to September 30, 2013. The balance due to Holly Oil as of June 30, 2011, was \$212,775.

The City is involved in various legal actions. Most of the actions and possible settlements could be covered by insurance and would be immaterial to the financial statements. If a judgment is received against the city and the damages are not covered by insurance, there could be a material impact on the City. Specifically, one case involves a wrongful death suit for an officer involved shooting involving a West Bountiful police officer and an officer from another jurisdiction. The legal action demands \$20 million in damages. The City's insurance company is defending the City against the individual involved and the case has not had a settlement offer and has not went to court. The actual damages, if any cannot be determined.

15. NEWLY ISSUED ACCOUNTING STANDARDS

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

GASB 57 OPEB

GASB 58 Bankruptcies

GASB 59 Financial instruments

GASB 60 Accounting and financial reporting for Service Concession Arrangements.

GASB 61 The Financial Reporting Entity

GASB 62 Codification of Accounting and Financial Reporting

GASB 63 Financial Reporting of Deferred Outflows of resources, Deferred Inflows of Resources, and Net Position

GASB 64 Derivative Instruments

None of the statements will have any financial impact on the financial statements.

16. SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 14, 2011, the date which the financial statements were available to be issued.

The city increased property taxes through a truth in taxation hearing after year which will increase the property taxes for the next year.

17. REDEVELOPMENT AGENCY

For the year ended June 30, 2011, the following activity occurred in the City's Redevelopment Agency.

Tax increment collected	\$ 608,818
Amounts expended for payments to developers	490,792
Amounts expended for legal and professional fees	15,027
Amounts expended for administrative costs	76,084

18. INTERFUND LOANS

The resulting composition of the interfund balances as of June 30, 2011, is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 449,924	\$ -
Rap Tax	306,000	-
Capital Improvements	558,040	-
Golf Course	-	1,707,375
Water fund	193,411	-
Solid waste	200,000	-
Totals	<u>\$ 1,707,375</u>	<u>\$ 1,707,375</u>

The city passed a resolution for the golf Course loan that will be paid back to the other funds when the golf course bonds are paid.

19. FUND BALANCE

These financial statements include the provisions of GASB Statement No. 54 which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the council.

Assigned - Amounts that are designated by the Council for a specific purpose but are not spendable until specific conditions are met.

Unassigned - All amounts not included in the other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet and statement of Net Assets. Restricted funds are used first as appropriate. Assigned funds are used when specific conditions are met. Decreases to the fund balance first reduce Unassigned Fund Balance. In the event that Unassigned Fund Balance becomes zero, than Assigned and Committed Fund Balances are used in that order. The General Fund has Unassigned Fund Balance in the amount of \$356,896 at June 30, 2011.

20. PRIOR PERIOD ADJUSTMENT

The prior period fund balance for the water fund was adjusted for accrued interest on the water bonds.

REQUIRED SUPPLEMENTARY INFORMATION

WEST BOUNTIFUL CITY

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary Basis	(Unfavorable) Variance with Final Budget
REVENUES				
General property taxes	\$ 598,344	\$ 598,344	\$ 591,494	\$ (6,850)
Sales, use, and excise taxes	1,153,000	1,153,000	1,130,560	(22,440)
Franchise taxes	380,000	380,000	410,535	30,535
Other taxes	16,000	16,000	15,513	-
Licenses	69,710	69,710	73,384	3,674
Fines	126,000	126,000	137,655	11,655
Interest	2,000	2,000	3,164	1,164
Intergovernmental	165,000	276,400	286,117	9,717
Charges for services	3,100	3,100	4,439	1,339
Miscellaneous	11,300	22,000	27,773	5,773
Total revenues	<u>2,524,454</u>	<u>2,646,554</u>	<u>2,680,634</u>	<u>34,567</u>
EXPENDITURES				
General government	729,950	732,450	653,927	78,523
Public works	391,350	351,350	294,901	56,449
Public safety	1,187,235	1,277,280	1,241,951	35,329
Parks	124,990	130,290	116,548	13,742
Debt service				
Principal	60,000	60,000	60,000	-
Interest	100,930	100,930	100,328	602
Total expenditures	<u>2,594,455</u>	<u>2,652,300</u>	<u>2,467,655</u>	<u>184,645</u>
Excess of revenues over (usage of) fund balance	<u>(70,001)</u>	<u>(5,746)</u>	<u>212,979</u>	<u>219,212</u>
OTHER FINANCES SOURCES (USES)				
Transfers in	103,725	69,025	10,025	(59,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>103,725</u>	<u>69,025</u>	<u>10,025</u>	<u>(59,000)</u>
Net change in fund balance	33,724	63,279	223,004	160,212
FUND BALANCE, JULY 1, 2010	<u>442,246</u>	<u>442,246</u>	<u>442,977</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 475,970</u>	<u>\$ 505,525</u>	<u>\$ 665,981</u>	<u>\$ 160,212</u>

Notes to schedule:

1. Budget note: There is no difference between budgetary basis and GAAP basis on these statements.

WEST BOUNTIFUL CITY

Budgetary Comparison Schedule Special Revenue Redevelopment Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
General property taxes	\$ 508,000	\$ 608,820	\$ 608,818	\$ (2)
Sales taxes	-	-	-	-
Contributions	-	-	-	-
Total revenues	<u>508,000</u>	<u>608,820</u>	<u>608,818</u>	<u>(2)</u>
EXPENDITURES				
General government	<u>508,000</u>	<u>608,820</u>	<u>582,055</u>	<u>26,765</u>
Total expenditures	<u>508,000</u>	<u>608,820</u>	<u>582,055</u>	<u>26,765</u>
Excess of revenues over expenditures (usage of fund balance)	<u>-</u>	<u>-</u>	<u>26,763</u>	<u>26,763</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	26,763	26,763
FUND BALANCE, JULY 1, 2010	<u>(14,877)</u>	<u>(14,877)</u>	<u>(14,887)</u>	<u>(10)</u>
FUND BALANCE, JUNE 30, 2011	<u><u>\$ (14,877)</u></u>	<u><u>\$ (14,877)</u></u>	<u><u>\$ 11,876</u></u>	<u><u>\$ 26,753</u></u>

1. Budget note: There is no difference between budgetary basis and GAAP basis on these statements.

SUPPLEMENTARY INFORMATION

WEST BOUNTIFUL CITY

Budgetary Comparison Schedules Special Revenue Fund Police Impact Fees For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Impact Fees	\$ 715	\$ 715	\$ 1,282	\$ 567
Interest	10	10	5	(5)
Total revenues	<u>725</u>	<u>725</u>	<u>1,287</u>	<u>562</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>725</u>	<u>725</u>	<u>1,287</u>	<u>562</u>
OTHER FINANCES SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(725)	(725)	(725)	-
Total other financing sources (uses)	<u>(725)</u>	<u>(725)</u>	<u>(725)</u>	<u>-</u>
Net change in fund balance	-	-	562	562
FUND BALANCE, JULY 1, 2010	<u>260</u>	<u>260</u>	<u>260</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 260</u>	<u>\$ 260</u>	<u>\$ 822</u>	<u>\$ 562</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Budgetary Comparison Schedules Park Impact Fee Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Impact fees	\$ 15,150	\$ 15,150	\$ 27,266	\$ 12,116
Interest	1,200	1,200	1,234	34
Total revenues	<u>16,350</u>	<u>16,350</u>	<u>28,500</u>	<u>12,150</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>16,350</u>	<u>16,350</u>	<u>28,500</u>	<u>12,150</u>
OTHER FINANCING SOURCES				
Transfers out	(5,300)	(5,300)	(5,300)	-
Total other financing sources	<u>(5,300)</u>	<u>(5,300)</u>	<u>(5,300)</u>	<u>-</u>
Net change in fund balance	11,050	11,050	23,200	12,150
FUND BALANCE, JULY 1, 2010	<u>304,503</u>	<u>304,503</u>	<u>304,503</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 315,553</u>	<u>\$ 315,553</u>	<u>\$ 327,703</u>	<u>\$ 12,150</u>

Notes to schedule:

1. There is no difference between GAAP and budget reporting.

WEST BOUNTIFUL CITY

Budgetary Comparison Schedules Special Revenue Fund Rap Tax Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 195,000	\$ 195,000	\$ 185,796	\$ (9,204)
Interest	400	400	1,094	694
Total revenues	<u>195,400</u>	<u>195,400</u>	<u>186,890</u>	<u>(8,510)</u>
EXPENDITURES				
Capital outlay	<u>16,500</u>	<u>102,500</u>	<u>93,801</u>	<u>8,699</u>
Total expenditures	<u>16,500</u>	<u>102,500</u>	<u>93,801</u>	<u>8,699</u>
Excess of revenues over expenditures (usage of fund balance)	<u>178,900</u>	<u>92,900</u>	<u>93,089</u>	<u>189</u>
OTHER FINANCING SOURCES				
Transfers out	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Net change in fund balance	174,900	88,900	89,089	189
FUND BALANCE, JULY 1, 2010	<u>251,158</u>	<u>251,158</u>	<u>251,158</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 426,058</u>	<u>\$ 340,058</u>	<u>\$ 340,247</u>	<u>\$ 189</u>

1. There is no difference between GAAP and budget reporting.

WEST BOUNTIFUL CITY

Budgetary Comparison Schedules Special Revenue Street Impact fees For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Impact fees	\$ 15,000	\$ 15,000	\$ 26,994	\$ 11,994
Interest	500	500	1,538	1,038
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>28,532</u>	<u>13,032</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>15,500</u>	<u>15,500</u>	<u>28,532</u>	<u>13,032</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	15,500	15,500	28,532	13,032
FUND BALANCE, JULY 1, 2010	<u>383,986</u>	<u>383,986</u>	<u>383,986</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 399,486</u>	<u>\$ 399,486</u>	<u>\$ 412,518</u>	<u>\$ 13,032</u>

Notes to schedule:

1. There is no difference between GAAP and budget reporting.

WEST BOUNTIFUL CITY

Budgetary Comparison Schedules Capital Improvements Fund For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
REVENUES				
Interest	2,495	2,495	2,276	(219)
Total revenues	2,495	2,495	2,276	(219)
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures (usage of fund balance)	2,495	2,495	2,276	(219)
OTHER FINANCING SOURCES				
Transfers out	(42,495)	(2,495)	(2,275)	220
Total other financing sources	(42,495)	(2,495)	(2,275)	220
Net change in fund balance	(40,000)	-	1	1
FUND BALANCE, JULY 1, 2010	558,822	558,822	558,822	-
FUND BALANCE, JUNE 30, 2011	\$ 518,822	\$ 558,822	\$ 558,823	\$ 1

1. There is no difference between GAAP and budget reporting.

WEST BOUNTIFUL CITY

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	<u>Police Fees Impact Fund</u>	<u>Park Impact Fee Fund</u>	<u>Rap Tax Fund</u>	<u>Street Impact Fee fund</u>	<u>Capital Improvement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>						
ASSETS						
Cash and cash equivalents						
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ 783	\$ 783
Restricted	822	327,703	4,169	412,518	-	745,212
Due from other funds	-	-	306,000	-	558,040	864,040
Taxes receivable	-	-	33,990	-	-	33,990
Total assets	<u>\$ 822</u>	<u>\$ 327,703</u>	<u>\$ 344,159</u>	<u>\$ 412,518</u>	<u>\$ 558,823</u>	<u>\$ 1,644,025</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable	\$ -	\$ -	\$ 3,912	\$ -	\$ -	\$ 3,912
FUND BALANCES						
Assigned for capital improvements	-	-	-	-	558,823	558,823
Reserved for:						
Rap Tax	-	-	340,247	-	-	340,247
Impact fees	822	327,703	-	412,518	-	741,043
Total fund balances	<u>822</u>	<u>327,703</u>	<u>340,247</u>	<u>412,518</u>	<u>558,823</u>	<u>1,640,113</u>
Total liabilities and fund balances	<u>\$ 822</u>	<u>\$ 327,703</u>	<u>\$ 344,159</u>	<u>\$ 412,518</u>	<u>\$ 558,823</u>	<u>\$ 1,644,025</u>

The accompanying notes are an integral part of this statement.

WEST BOUNTIFUL CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2011

	<u>Police Fees Impact Fund</u>	<u>Park Impact Fee Fund</u>	<u>Rap Tax Fund</u>	<u>Street Impact Fee Fund</u>	<u>Capital Improvements Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES						
Impact fees	\$ 1,282	\$ 27,266	\$ -	\$ 26,994	\$ -	\$ 55,542
Interest	5	1,234	1,094	1,538	2,276	6,147
Taxes	-	-	185,796	-	-	185,796
Charges for services	-	-	-	-	-	-
Total revenues	<u>1,287</u>	<u>28,500</u>	<u>186,890</u>	<u>28,532</u>	<u>2,276</u>	<u>247,485</u>
EXPENDITURES						
Current						
Public safety	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Capital outlay	-	-	93,801	-	-	93,801
Total expenditures	<u>-</u>	<u>-</u>	<u>93,801</u>	<u>-</u>	<u>-</u>	<u>93,801</u>
Revenues over expenditures	<u>1,287</u>	<u>28,500</u>	<u>93,089</u>	<u>28,532</u>	<u>2,276</u>	<u>153,684</u>
Other sources						
Transfers in	-	-	-	-	-	-
Transfers out	(725)	(5,300)	(4,000)	-	(2,275)	(12,300)
Total other sources	<u>(725)</u>	<u>(5,300)</u>	<u>(4,000)</u>	<u>-</u>	<u>(2,275)</u>	<u>(12,300)</u>
Revenue and other sources over expenditures and other uses	562	23,200	89,089	28,532	1	141,384
FUND BALANCE, JULY 1, 2010	<u>260</u>	<u>304,503</u>	<u>251,158</u>	<u>383,986</u>	<u>558,822</u>	<u>1,498,729</u>
FUND BALANCE, JUNE 30, 2011	<u>\$ 822</u>	<u>\$ 327,703</u>	<u>\$ 340,247</u>	<u>\$ 412,518</u>	<u>\$ 558,823</u>	<u>\$ 1,640,113</u>

The accompanying notes are an integral part of this statement.



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

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Rebecca M. Allred
Robert L. Archuleta, CPA
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R. Ted Stagg, CPA

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

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

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

The City did not receive any major State grants during the year ended June 30, 2011.

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 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 other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, West Bountiful City complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011.

This report is intended solely for the information and use of the City, county, school, management, Office of the Utah State Auditor, awarding and pass-through entities, and other specified parties as applicable and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

Karren, Hendrix, Stagg, Allen & Co.

Karren, Hendrix, Stagg, Allen & Company
November 15, 2011

CERTIFIED PUBLIC ACCOUNTANTS



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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

To the City Council
West Bountiful City

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Bountiful City, as of and for the year ended June 30, 2011, which collectively comprise West Bountiful City's basic financial statements and have issued our report thereon dated November 15, 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 West Bountiful City'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 West Bountiful City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Bountiful City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entities' 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Bountiful City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions, 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings.

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

This report is intended solely for the information and use of management, the audit committee, West Bountiful City's council and other government agencies and is not intended to be and should not be used by anyone other than these specified parties.

Karren, Hendrix, Stagg, Allen & Co.

Karren, Hendrix, Stagg, Allen & Company
November 15, 2011

WEST BOUNTIFUL CITY

Schedule of Findings For the Fiscal Year Ended June 30, 2011

2011-1 Finding: Golf Course Loan

Finding

The Golf Course has been losing money for several years. The fund has used money from other City funds without an official resolution from the City Council on which fund should loan the money and any economic terms of the loan.

Recommendation

We recommend the City Council set the terms of the loan and future payback stipulations. We also recommend the city review the funding and operation of the Golf Course to determine if some operating modifications can be made to reduce the losses to the fund.

City Response

West Bountiful City administration has researched this situation. The original documents establishing the bond for this last loan (bond) included the clear understanding that funds from the General Fund and possibly other funds would be required to subsidize the payments on the Golf Course Bond.

This said, there was never a documented statement of intent and direction to staff to ensure that those moneys used from other funds be repaid by the Golf Fund at some point in time. There has been a verbal understanding that this would be the case.

With advice of our new auditors the administration has worked with the Mayor and City Council to adopt a resolution that defines repayment and actually specifies amounts to several funds. This resolution 286-11 was adopted by the City Council on November 1, 2011.

In addition to the adoption of this resolution, staff has been directed to take every reasonable measure to ensure that no further subsidy is required over the next two years (there are two payments remaining on the bond).

The elected officials and administration took additional action recently to provide extra oversight to the Golf Course:

- 1) An internal city committee has been established to review and advise golf course related issues. This committee is composed of two city council members, the Mayor, the City Administrator, and the City Recorder / Auditor.
- 2) After much deliberation and seeking to understand management philosophies, it was determined that the Golf Professional at the course held different philosophy regarding the management of the course and particularly the financial management of the course. These differences lead to the release of the Golf Professional and the permanent reduction in the number of full time benefitted employees.

WEST BOUNTIFUL CITY

Status of Previous Year's Findings For the Fiscal Year Ended June 30, 2011

Finding #10-01 – Budget Requirements

Finding

State law requires that expenditures not be incurred in excess of the appropriation for any department or fund. We noted during the course of the audit that the Redevelopment Agency had expenses in excess of the budgeted amounts.

Status – Implemented

Finding #10-02 – Deficit Fund Balance

Finding

Utah State Code requires all funds to have a positive fund balance and not a deficit. We noted one fund, the Redevelopment Agency Fund, had a fund balance deficit.

Status – Implemented

Finding #10-03 – Purchasing Requirements

Finding

Utah State Code requires the City to establish and follow purchasing policies and procedures. It was discovered that the policies of the City are outdated, and therefore, are not being followed.

Status - Implemented