

**ALPINE CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2010**

**ALPINE CITY**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2009**

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	<u>Starting on Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets	13
Statement of Activities	14
<b>FUND FINANCIAL STATEMENTS</b>	
<b>GOVERNMENTAL FUNDS</b>	
Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Budgetary Comparison Schedule	20
<b>PROPRIETARY FUNDS</b>	
Statement of Net Assets	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	22
Statement of Cash Flows	23
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	25
<b>SUPPLEMENTARY INFORMATION</b>	
<b>COMBINING FUND STATEMENTS</b>	
<b>NONMAJOR GOVERNMENTAL FUNDS</b>	
Combining Balance Sheet	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
<b>STATE LEGAL COMPLIANCE REPORT</b>	
<b>INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE</b>	43

# ALPINE CITY

## TABLE OF CONTENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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	Starting on Page
GOVERNMENT AUDITING STANDARDS REPORT	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	45

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

October 4, 2010

Honorable Mayor  
Members of the City Council  
Alpine City, Utah

**Council Members:**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 4, 2010 on my consideration of Alpine City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine City's basic financial statements as a whole. The combining nonmajor fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund statements 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 basic 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
Greg Ogden,  
Certified Public Accountant

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Alpine City for the fiscal year ending June 30, 2010. Alpine City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, streets, garbage, planning etc, while business-type activities refers to operations such as the sewer, storm sewer, water, and pressurized irrigation.

### FINANCIAL HIGHLIGHTS

- The total net assets of Alpine City decreased by \$352,319 totaling \$61,136,047. The governmental net assets decreased by \$252,570 and the business-type net assets decreased by \$99,748.
- The total net assets of governmental and business-type activities is \$61,136,047, and is made up of \$52,496,073 in capital assets, such as land, infrastructure and equipment, and \$8,639,975 in other net assets. The \$8,639,975 in other net assets is made up of \$2,466,264 which is restricted for capital projects, debt service and endowments. Finally, the remaining \$6,173,711 is unrestricted assets.
- Total long-term liabilities of the City decreased by \$264,369. The long term debt for government activities decreased by \$22,929. The business-type activities long term debt decreased by \$241,440; \$250,000 was a payment on the pressurized irrigation bond.

### REPORTING THE CITY AS A WHOLE

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

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

- *The statement of net assets* presents information on all of Alpine City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alpine City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Alpine City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-15 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alpine City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The balances of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** - Alpine City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Alpine City uses enterprise funds to account for its Pressurized Irrigation Utility, Culinary Water Utility, Sewer Utility and Storm Drain Operation. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water, storm drain, and sewer enterprise funds meet the criteria for major fund classification.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alpine City, assets exceed liabilities by \$61,136,047.

By far the largest portion of Alpine City's net assets (85.8%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental		Business-type Activities	
	2009-2010	2008-2009	2009-2010	2008-2009
Current and Other Assets	\$ 1,288	\$ 1,546	\$ 5,873	\$ 6,000
Capital Assets	37,891	37,235	25,378	25,710
Total Assets	<u>39,179</u>	<u>38,781</u>	<u>31,251</u>	<u>31,710</u>
Long-term Debt Outstanding	2,318	801	363	482
Other Liabilities	392	415	6,220	6,461
Total Liabilities	<u>2,710</u>	<u>1,216</u>	<u>6,583</u>	<u>6,943</u>
Net Assets:				
Invested in Capital Assets, Net of Debt	34,774	33,813	17,722	17,817
Restricted	961	2,743	1,505	1,499
Unrestricted	733	1,010	5,441	5,451
Total Net Assets	<u>\$ 36,468</u>	<u>\$ 37,566</u>	<u>\$ 24,668</u>	<u>\$ 24,767</u>

**CHANGES IN NET ASSETS**  
(In thousands of dollars)

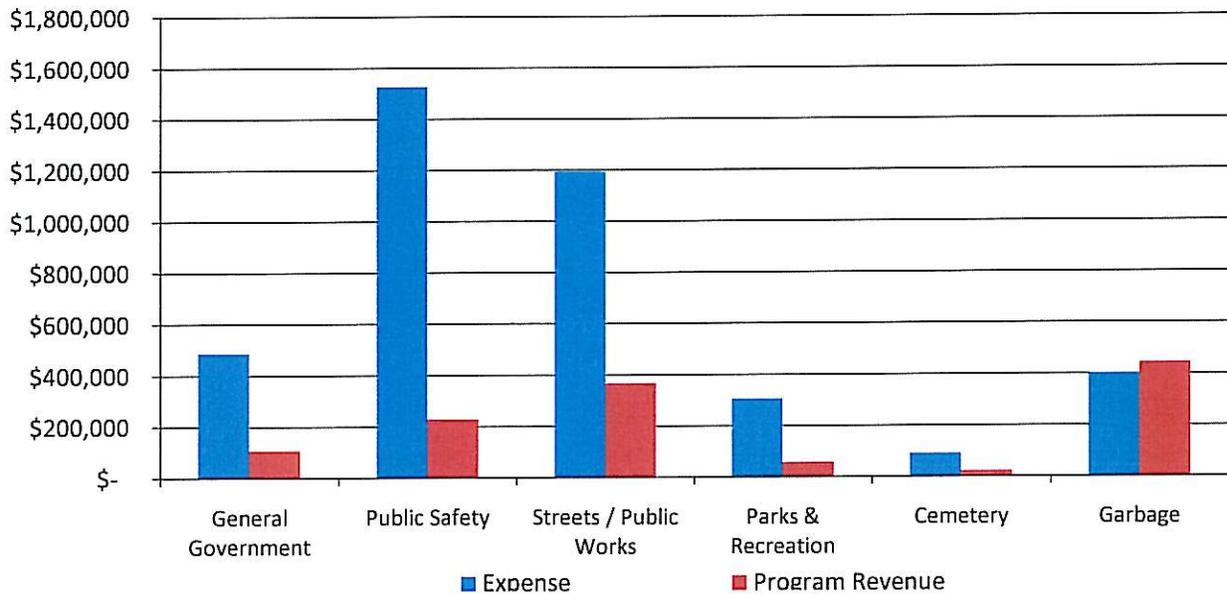
	<u>Governmental</u>	<u>Activities</u>	<u>Business-type Activities</u>	
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 799	\$ 427	\$ 2,217	\$ 2,368
Operating Grants and Contributions	5	5	-	-
Capital Grants and Contributions	436	586	75	276
<b>General Revenues</b>				
Property Taxes	841	820	-	-
Sales and Use Taxes	875	980	-	-
Other Taxes	668	710	-	-
Other Revenues	156	123	45	151
<b>Total Revenues</b>	<u>3,780</u>	<u>3,651</u>	<u>2,337</u>	<u>2,795</u>
<b>Expenses</b>				
General Government	491	517	-	-
Public Safety	1,530	1,545	-	-
Streets/Public Works	1,200	1,148	-	-
Parks and Recreation	309	347	-	-
Cemetery	94	140	-	-
Garbage	405	-	-	406
Interest Expense	14	80	-	-
Water	-	-	580	582
Sewer	-	-	899	649
Pressurized Irrigation	-	-	859	863
Storm Drain	-	-	88	87
<b>Total Expenses</b>	<u>4,043</u>	<u>3,777</u>	<u>2,426</u>	<u>2,587</u>
<b>Increase in Net Assets Before Transfers</b>	(263)	(126)	(89)	208
Transfers	10	98	(10)	(98)
<b>Change in Net Assets</b>	(253)	(28)	(99)	110
Net Assets Beginning	37,566	37,594	24,767	24,657
Prior Period Adjustment	(845)	-	-	-
<b>Net Assets Ending</b>	<u>\$ 36,468</u>	<u>\$ 37,566</u>	<u>\$ 24,668</u>	<u>\$ 24,767</u>

Alpine City had a number of significant financial events in 2009-2010 as follows:

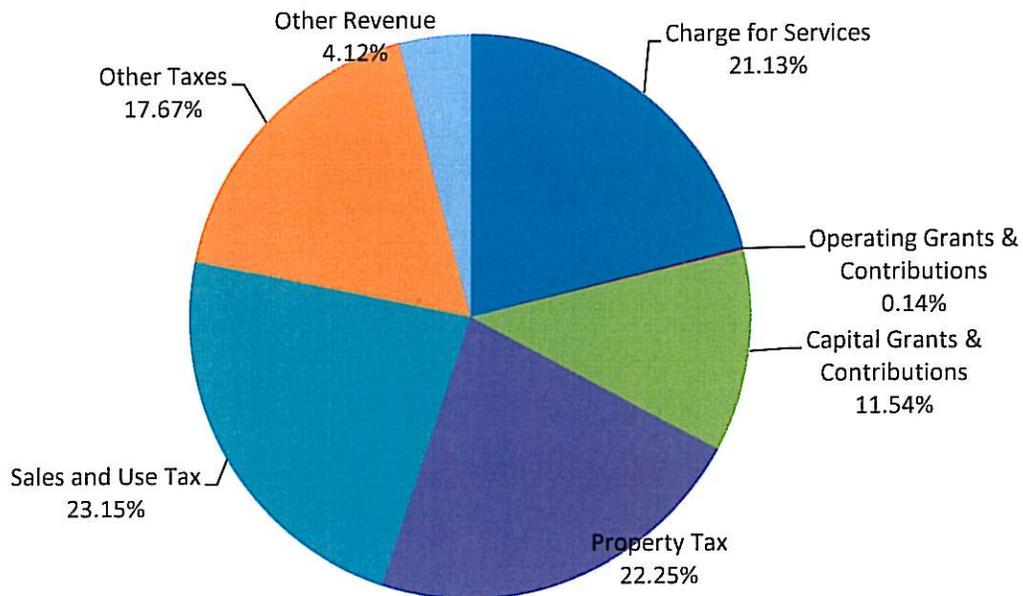
- Construction of the 100 South Park including: play grounds, splash pad, restrooms and pavilions. Cost of the park so far was \$1,616,331.
- Purchase of a new Kubota tractor in the amount of \$14,000
- Overlaid and chip sealed 5.51 miles of City streets, including: 100 South, Parkway, 200 North, the Roundabout, 200 North, Country Manor Lane, Bald Mountain Drive, Preston Drive, Lone Peak Drive, Alpine Boulevard, and Moyle Drive.
- Grove Drive improvements including curb and gutter.
- Sidewalk replacement projects totaling \$13,324.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.

### Expense and Program Revenues - Governmental Activities

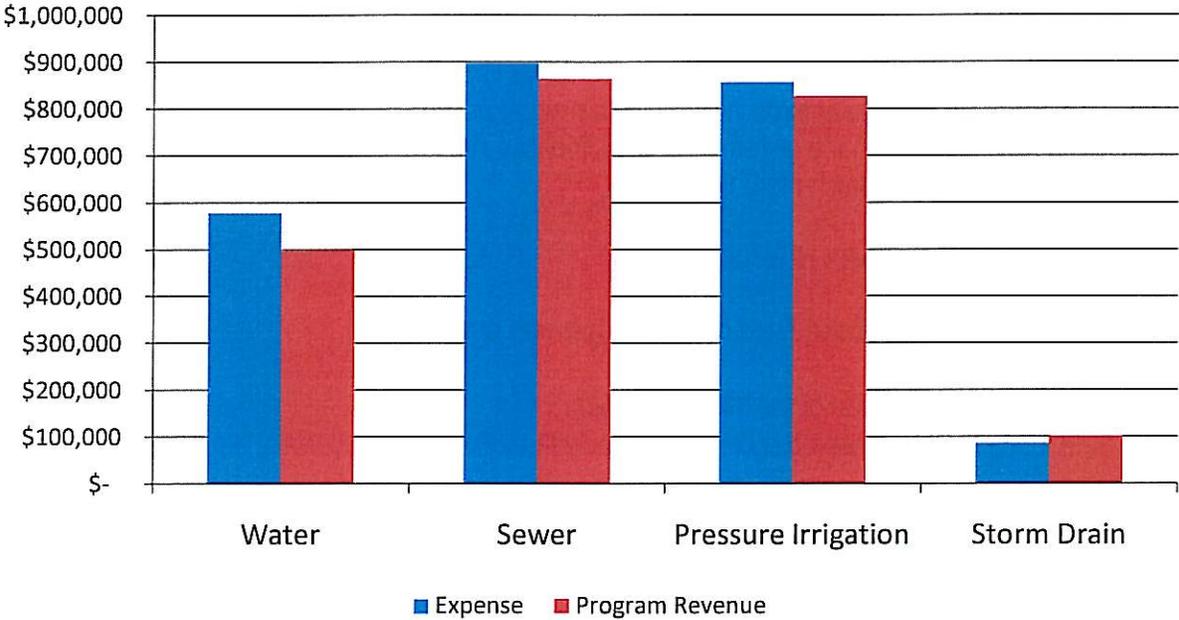


### Revenues By Source – Governmental Activities

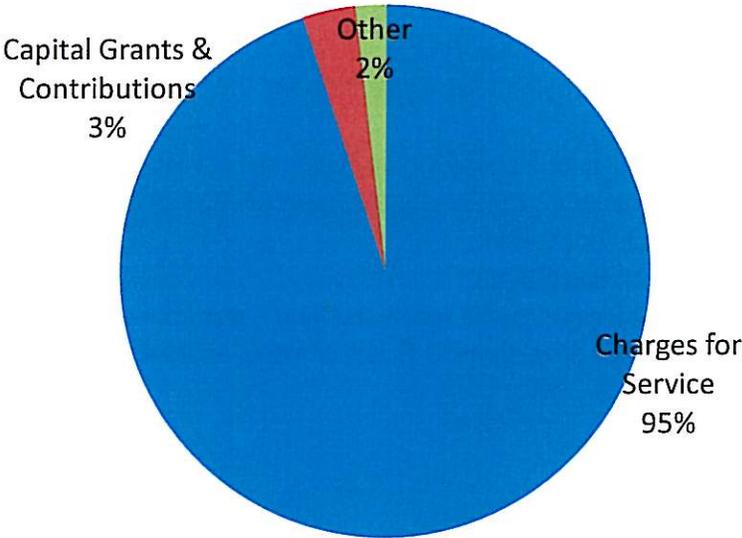


It can be seen from the following charts, the majority of revenues in the business-type activities are in charges for services, with 96 percent of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.

**Expense and Program Revenues – Business-Type Activities**



**Revenues By Source – Business-Type Activities**



## **ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of June 30, 2010, the City's governmental funds (General, Capital Projects and Debt Service) reported combined fund equity of \$1,987,753. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended to:

- Add for the construction of the 100 South Park.
- Add funds for the increased court costs to include traffic school and victim reparation fees.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets - Alpine City's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$58,684,403 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$605,816.

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

- Purchase of a dump truck for \$68,554 for the Water and Presser Irrigation Departments.
- Purchase of Kubota tractor for \$14,894 for the Parks and Cemetery Departments.
- Construction of the 100 South Park.
- Disposal of dump truck and pick up.
- The small portion of the city's capital assets this year came from developer donations. The following is a list of major developments (3 lots or more) approved this year: North Grove Plat B.

ALPINE CITY'S CAPITAL ASSETS  
(Net of Depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities	
	2009-2010	2008-2009	2009-2010	2008-2009
Capital Assets Not Being Depreciated				
Land	\$ 18,775	\$ 18,739	\$ 392	\$ 392
Water Shares	-	-	31	31
Capital Assets Being Depreciated				
Buildings and Structures	1,549	1,549	215	215
Improvements and Infrastructure	25,669	23,782	29,855	29,622
Machinery, Equipment, and Vehicles	708	765	498	427
Construction in Progress	-	-	-	-
Total	46,701	44,835	30,991	30,687
Less Accumulated Depreciation	(11,889)	(10,968)	(7,118)	(6,476)
Total Capital Assets	\$ 34,812	\$ 33,867	\$ 23,873	\$ 24,211

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2010, the City had total debt outstanding of \$6,612,184. The majority of Alpine City's long term debt, \$6,255,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Pressurized Irrigation Funds) less unamortized bond issuance costs and discounts of \$103,997.

ALPINE CITY'S OUTSTANDING DEBT  
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	2009-2010	2008-2009	2009-2010	2008-2009
Revenues Bonds	\$ -	\$ -	\$ 6,151	\$ 6,395
Capital Leases	37	55	-	-
Compensated Absences	355	360	69	67
Total	\$ 392	\$ 415	\$ 6,220	\$ 6,462

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Unemployment rate for Utah County (of which Alpine is part) was 7.4% compared with the State unemployment rate of 7.4%. This reflects the economic downturn that has been reflected in all areas.
- Alpine continues to see a dramatic drop in building permits over the past four years. From 2000 to 2005 the City averaged 84 permits a year for new homes. In 2006, there were 48 building permits were issued for new homes with 44 for 2007, 6 in 2008, and 7 in 2009. So far in 2010 there have been 14 permits for new homes issued. These figures reflect a slowdown in building. In 2007, the City increased building permit fees to better reflect the cost of building.
- The major projects budgeted for next year include the finishing touches on the 100 South Park, improvements to the sewer system including upsizing of various lines, and improvements to the water system by installing a booster pump in the Box Elder area.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Alpine City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Administrator,  
20 N Main St  
Alpine, UT 84004

**BASIC FINANCIAL STATEMENTS**

**ALPINE CITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business Type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 171,653	\$ 5,663,393	\$ 5,835,046
Accounts Receivable	1,115,706	209,767	1,325,473
<b>TOTAL CURRENT ASSETS</b>	<b>1,287,359</b>	<b>5,873,160</b>	<b>7,160,519</b>
<b>NONCURRENT ASSETS</b>			
Restricted Assets			
Cash and Cash Equivalents	3,079,885	1,504,886	4,584,771
Capital Assets			
Non Depreciable	18,774,865	422,806	19,197,671
Depreciable Assets (net of Depreciation)	16,036,520	23,450,212	39,486,732
<b>TOTAL NONCURRENT ASSETS</b>	<b>37,891,270</b>	<b>25,377,904</b>	<b>63,269,174</b>
<b>TOTAL ASSETS</b>	<b>39,178,629</b>	<b>31,251,064</b>	<b>70,429,693</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	1,401,199	318,524	1,719,723
Contingent Liability	-	44,791	44,791
Deferred Revenue	916,947	-	916,947
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,318,146</b>	<b>363,315</b>	<b>2,681,461</b>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	80,510	329,127	409,637
Due in more than One Year	311,545	5,891,003	6,202,548
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>392,055</b>	<b>6,220,130</b>	<b>6,612,185</b>
<b>TOTAL LIABILITIES</b>	<b>2,710,201</b>	<b>6,583,445</b>	<b>9,293,646</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	34,774,059	17,722,014	52,496,073
Restricted	961,378	1,504,886	2,466,264
Unrestricted	732,992	5,440,719	6,173,711
<b>TOTAL NET ASSETS</b>	<b>\$ 36,468,429</b>	<b>\$ 24,667,619</b>	<b>\$ 61,136,047</b>

See the accompanying notes to the financial statements

# ALPINE CITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General Government	\$ 490,821	\$ 68,496	\$ -	\$ 41,240
Public Safety	1,530,094	225,809	5,211	-
Streets	1,199,610	-	-	370,326
Parks and Recreation	308,513	35,149	-	24,689
Cemetery	94,493	23,575	-	-
Garbage	405,262	445,938	-	-
Interest on Long-Term Debt	13,751	-	-	-
<b>Total Governmental Activities</b>	<b>4,042,544</b>	<b>798,967</b>	<b>5,211</b>	<b>436,255</b>
<b>Business-type Activities</b>				
Water	580,363	479,032	-	19,725
Sewer	899,401	849,159	-	15,715
Pressurized Irrigation	858,562	796,255	-	30,785
Storm Drain	88,460	92,439	-	8,960
<b>Total Business-type Activities</b>	<b>2,426,786</b>	<b>2,216,885</b>	<b>-</b>	<b>75,185</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,469,330</b>	<b>\$ 3,015,852</b>	<b>\$ 5,211</b>	<b>\$ 511,440</b>

General Revenues  
 Property Taxes  
 Vehicle Taxes  
 Sales Taxes  
 Franchise Taxes  
 Unrestricted Investment Earnings  
 Miscellaneous  
 Transfers  
 Total General Revenues and Transfers  
 Change in Net Assets  
 Net Assets - Beginning  
 Prior Period Adjustment  
 Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (381,085)	\$ -	\$ (381,085)
(1,299,074)	-	(1,299,074)
(829,284)	-	(829,284)
(248,675)	-	(248,675)
(70,918)	-	(70,918)
40,676	-	40,676
<u>(13,751)</u>	<u>-</u>	<u>(13,751)</u>
 <u>(2,802,111)</u>	 <u>-</u>	 <u>(2,802,111)</u>
-	(81,606)	(81,606)
-	(34,527)	(34,527)
-	(31,522)	(31,522)
<u>-</u>	<u>12,939</u>	<u>12,939</u>
 <u>-</u>	 <u>(134,716)</u>	 <u>(134,716)</u>
 <u>(2,802,111)</u>	 <u>(134,716)</u>	 <u>(2,936,827)</u>
 841,000	-	841,000
84,514	-	84,514
875,235	-	875,235
583,575	-	583,575
23,016	44,468	67,484
132,701	-	132,701
<u>9,500</u>	<u>(9,500)</u>	<u>-</u>
<u>2,549,540</u>	<u>34,968</u>	<u>2,584,508</u>
(252,570)	(99,748)	(352,319)
37,565,609	24,767,367	62,332,976
<u>(844,610)</u>	<u>-</u>	<u>(844,610)</u>
 <u>\$ 36,468,429</u>	 <u>\$ 24,667,619</u>	 <u>\$ 61,136,047</u>

**ALPINE CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<u>Governmental-type Activities</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 171,653	\$ -	\$ -	\$ 171,653
Accounts Receivable	1,115,705	-	-	1,115,705
Restricted Cash	543,559	2,010,109	526,217	3,079,885
<b>TOTAL ASSETS</b>	<b>\$ 1,830,918</b>	<b>\$ 2,010,109</b>	<b>\$ 526,217</b>	<b>\$ 4,367,244</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 123,687	\$ 730,127	\$ 4,749	\$ 858,564
Compensated Absences	62,324	-	-	62,324
Developer Completion Bonds Payable	70,058	-	-	70,058
Infrastructure Protection Bonds Payable	-	471,598	-	471,598
Deferred Revenue	916,947	-	-	916,947
<b>TOTAL LIABILITIES</b>	<b>1,173,017</b>	<b>1,201,725</b>	<b>4,749</b>	<b>2,379,491</b>
<b>FUND BALANCE</b>				
Non-Spendable	-	-	415,613	415,613
Restricted	439,909	-	105,855	545,764
Assigned	-	808,384	-	808,384
Unassigned	217,992	-	-	217,992
<b>TOTAL FUND EQUITY</b>	<b>657,901</b>	<b>808,384</b>	<b>521,468</b>	<b>1,987,753</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 1,830,918</b>	<b>\$ 2,010,109</b>	<b>\$ 526,217</b>	<b>\$ 4,367,244</b>

See the accompanying notes to the financial statements

# ALPINE CITY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2010

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 1,987,753

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. 34,811,386

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (330,710)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 36,468,429

# ALPINE CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Governmental-type Activities			
	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,384,323	\$ -	\$ -	\$ 2,384,323
Licenses and Permits	137,606	-	-	137,606
Intergovernmental	332,881	-	-	332,881
Charge for Services	566,013	-	13,050	579,063
Fines and Forfeitures	82,298	-	-	82,298
Interest	5,614	11,951	5,450	23,015
Miscellaneous	22,660	-	-	22,660
<b>TOTAL REVENUES</b>	<b>3,531,395</b>	<b>11,951</b>	<b>18,500</b>	<b>3,561,846</b>
<b>EXPENDITURES</b>				
General Government	417,864	-	41,240	459,104
Public Safety	1,528,111	-	-	1,528,111
Streets	311,048	-	-	311,048
Parks and Recreation	207,112	-	-	207,112
Cemetery	74,692	-	-	74,692
Garbage	405,262	-	-	405,262
Capital Outlay	386,268	1,182,567	376,315	1,945,150
Debt Service				
Interest and Finance Charges	1,560	29,923	-	31,483
<b>TOTAL EXPENDITURES</b>	<b>3,331,917</b>	<b>1,212,490</b>	<b>417,555</b>	<b>4,961,962</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>199,478</b>	<b>(1,200,538)</b>	<b>(399,055)</b>	<b>(1,400,116)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Impact Fees	-	-	68,209	68,209
Transfers from Other Funds	9,500	510,000	-	519,500
Gain on Sale of Asset	-	17,108	-	17,108
Donations	-	92,933	-	92,933
Transfer to Other Funds	(510,000)	-	-	(510,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(500,500)</b>	<b>620,041</b>	<b>68,209</b>	<b>187,750</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(301,022)</b>	<b>(580,499)</b>	<b>(330,846)</b>	<b>(1,212,367)</b>
BEGINNING FUND BALANCE	958,923	1,388,883	852,314	3,200,121
<b>ENDING FUND BALANCE</b>	<b>\$ 657,901</b>	<b>\$ 808,384</b>	<b>\$ 521,468</b>	<b>\$ 1,987,754</b>

See the accompanying notes to the financial statements

# ALPINE CITY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

---

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER  
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ (1,212,367)

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

Governmental funds report capital outlays as expenditures. In the statement  
of activities the cost of those assets is allocated over their estimated useful  
lives as depreciation expense. This is the amount by which capital outlays  
exceeded depreciation in the current period. 944,234

Issuance of long-term debt provides current financial resources to governmental  
funds. The repayment of the principal of long-term debt consumes the  
current financial resources of governmental funds. This amount is the net  
difference in the treatment of long-term debt and related items. 17,732

Some revenues and expenses reported in the statement of activities do not add  
to or require the use of current financial resources and, therefore, are not  
reported as revenues or expenditures in the governmental funds. (2,170)

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS \$ (252,571)

**ALPINE CITY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,246,315	\$ 2,246,315	\$ 2,384,323	\$ 138,008
Licenses and Permits	117,700	117,700	137,606	19,906
Intergovernmental	226,000	226,000	332,881	106,881
Charge for Services	547,300	547,300	566,013	18,713
Fines and Forfeitures	66,000	66,000	82,298	16,298
Interest	21,000	21,000	5,614	(15,386)
Miscellaneous	-	-	22,660	22,660
<b>TOTAL REVENUES</b>	<b>3,224,315</b>	<b>3,224,315</b>	<b>3,531,395</b>	<b>307,081</b>
<b>EXPENDITURES</b>				
General Government	448,445	468,845	417,864	50,981
Public Safety	1,576,995	1,576,995	1,528,111	48,884
Streets	452,940	319,240	311,048	8,192
Parks and Recreation	242,215	242,215	207,111	35,104
Cemetery	77,070	77,070	74,692	2,378
Garbage	425,150	425,150	405,262	19,888
Capital Outlay	223,000	476,700	386,268	90,432
Interest	10,000	10,000	1,560	8,440
<b>TOTAL EXPENDITURES</b>	<b>3,455,815</b>	<b>3,596,215</b>	<b>3,331,917</b>	<b>264,297</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(231,500)</b>	<b>(371,900)</b>	<b>199,477</b>	<b>571,377</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from Other Funds	9,500	9,500	9,500	-
Transfer to Other Funds	-	(510,000)	(510,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,500</b>	<b>(500,500)</b>	<b>(500,500)</b>	<b>-</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>(222,000)</b>	<b>(872,400)</b>	<b>(301,022)</b>	<b>571,378</b>
<b>FUND BALANCE ALLOCATION</b>	<b>222,000</b>	<b>872,400</b>	<b>-</b>	<b>(872,400)</b>
<b>EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (301,022)</b>	<b>\$ (301,022)</b>

See the accompanying notes to the financial statements

**ALPINE CITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Pressure Irrigation	Storm Drain	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 2,613,497	\$ 490,081	\$ 2,502,268	\$ 57,547	\$ 5,663,393
Accounts Receivable, Net of Allowance for Uncollectible	29,584	87,549	83,682	8,953	209,767
<b>TOTAL CURRENT ASSETS</b>	<b>2,643,082</b>	<b>577,629</b>	<b>2,585,949</b>	<b>66,500</b>	<b>5,873,160</b>
<b>NONCURRENT ASSETS</b>					
Restricted Assets					
Cash and Cash Equivalents	226,860	420,003	756,096	101,927	1,504,886
Capital Assets					
Water Shares	30,900	-	-	-	30,900
Land	219,000	8,000	-	164,905	391,905
Building and Structures	169,103	45,971	-	-	215,074
Improvements	10,690,550	5,701,701	10,006,153	3,457,113	29,855,517
Machinery, Equipment and Vehicles	246,920	134,649	116,334	-	497,903
Less Accumulated Depreciation	(3,170,340)	(1,755,968)	(1,709,955)	(482,018)	(7,118,281)
<b>TOTAL NONCURRENT ASSETS</b>	<b>8,412,993</b>	<b>4,554,357</b>	<b>9,168,627</b>	<b>3,241,926</b>	<b>25,377,903</b>
<b>TOTAL ASSETS</b>	<b>11,056,074</b>	<b>5,131,986</b>	<b>11,754,577</b>	<b>3,308,427</b>	<b>31,251,064</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	5,754	46,209	766	5,516	58,244
Customer Deposits Payable	35,600	-	-	-	35,600
Compensated Absences	26,427	23,297	19,403	-	69,127
Accrued Interest Payable	-	-	77,104	-	77,104
Contingent Liability	44,791	-	-	-	44,791
Annexation Reserve	147,576	-	-	-	147,576
Current Portion of Long-Term Debt	-	-	260,000	-	260,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>260,148</b>	<b>69,505</b>	<b>357,273</b>	<b>5,516</b>	<b>692,442</b>
<b>NONCURRENT LIABILITES</b>					
Bonds Payable	-	-	5,891,003	-	5,891,003
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>5,891,003</b>	<b>-</b>	<b>5,891,003</b>
<b>TOTAL LIABILITIES</b>	<b>260,148</b>	<b>69,505</b>	<b>6,248,276</b>	<b>5,516</b>	<b>6,583,445</b>
<b>NET ASSETS</b>					
Investment in Capital Assets, Net of Related Debt	8,186,132	4,134,353	2,261,529	3,140,000	17,722,014
Restricted					
Capital Projects	226,860	420,003	-	101,927	748,790
Debt Service	-	-	756,096	-	756,096
Unrestricted	2,382,933	508,124	2,488,677	60,984	5,440,718
<b>TOTAL NET ASSETS</b>	<b>\$ 10,795,926</b>	<b>\$ 5,062,481</b>	<b>\$ 5,506,301</b>	<b>\$ 3,302,911</b>	<b>\$ 24,667,619</b>

See the accompanying notes to the financial statements

# ALPINE CITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Pressure Irrigation	Storm Drain	
<b>OPERATING REVENUES</b>					
Charge for Services	\$ 446,787	\$ 847,534	\$ 790,005	\$ 92,439	\$ 2,176,765
Connection Fees	1,560	1,625	2,800	-	5,985
Miscellaneous	30,685	-	3,450	-	34,135
<b>TOTAL OPERATING REVENUES</b>	<b>479,032</b>	<b>849,159</b>	<b>796,255</b>	<b>92,439</b>	<b>2,216,885</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Benefits	239,492	206,125	169,116	-	614,733
Operations	100,672	572,702	148,894	10,083	832,350
Depreciation	240,200	120,574	219,532	78,377	658,682
<b>TOTAL OPERATING EXPENSES</b>	<b>580,363</b>	<b>899,401</b>	<b>537,542</b>	<b>88,460</b>	<b>2,105,765</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(101,331)</b>	<b>(50,242)</b>	<b>258,713</b>	<b>3,979</b>	<b>111,120</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Impact Fees	16,845	7,315	19,241	5,600	49,001
Interest Income	19,334	5,964	17,543	1,627	44,467
Interest Expense	-	-	(321,021)	-	(321,021)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>36,179</b>	<b>13,279</b>	<b>(284,236)</b>	<b>7,227</b>	<b>(227,552)</b>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(65,152)</b>	<b>(36,963)</b>	<b>(25,524)</b>	<b>11,206</b>	<b>(116,432)</b>
Capital Contributions	2,880	8,400	11,544	3,360	26,184
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	(6,000)	(3,500)	-	-	(9,500)
<b>CHANGE IN NET ASSETS</b>	<b>(68,272)</b>	<b>(32,063)</b>	<b>(13,979)</b>	<b>14,566</b>	<b>(99,748)</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>10,864,198</b>	<b>5,094,544</b>	<b>5,520,280</b>	<b>3,288,345</b>	<b>24,767,367</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 10,795,926</b>	<b>\$ 5,062,481</b>	<b>\$ 5,506,301</b>	<b>\$ 3,302,911</b>	<b>\$ 24,667,619</b>

See the accompanying notes to the financial statements

**ALPINE CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Pressure Irrigation</u>	<u>Storm Drain</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Receipts from Customers	\$ 478,553	\$ 816,792	\$ 786,365	\$ 92,220	\$ 2,173,930
Payment to Suppliers	(101,551)	(691,231)	(150,100)	(5,176)	(948,058)
Payment to Employees	(238,855)	(205,478)	(168,478)	-	(612,811)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>138,147</b>	<b>(79,917)</b>	<b>467,787</b>	<b>87,044</b>	<b>613,062</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>					
Transfer to/from other funds	(6,000)	(3,500)	-	-	(9,500)
<b>NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<b>(6,000)</b>	<b>(3,500)</b>	<b>-</b>	<b>-</b>	<b>(9,500)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Impact Fees	16,845	7,315	19,241	5,600	49,001
Acquisition of Capital Assets	(72,607)	(7,804)	(43,216)	(170,453)	(294,080)
Debt Payment	-	-	(243,362)	-	(243,362)
Interest Expense	-	-	(323,981)	-	(323,981)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(55,762)</b>	<b>(489)</b>	<b>(591,318)</b>	<b>(164,853)</b>	<b>(812,420)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Interest Income	19,334	5,964	17,543	1,626	44,467
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>19,334</b>	<b>5,964</b>	<b>17,543</b>	<b>1,626</b>	<b>44,467</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>95,718</b>	<b>(77,942)</b>	<b>(105,988)</b>	<b>(76,183)</b>	<b>(164,392)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,744,640</b>	<b>988,026</b>	<b>3,364,351</b>	<b>235,657</b>	<b>7,332,674</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,840,358</b>	<b>\$ 910,084</b>	<b>\$ 3,258,363</b>	<b>\$ 159,474</b>	<b>\$ 7,168,282</b>

See the accompanying notes to the financial statements

**ALPINE CITY**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Sewer	Pressure Irrigation	Storm Drain	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (101,331)	\$ (50,242)	\$ 258,713	\$ 3,979	\$ 111,119
Adjustments					
Depreciation	240,200	120,574	219,532	78,377	658,682
Changes in Net Assets					
Accounts Receivable, Net	(679)	(32,366)	(9,889)	(219)	(43,153)
Accounts Payable	(880)	(118,529)	(1,206)	4,907	(115,709)
Customer Deposits Payable	200	-	-	-	200
Compensated Absences	636	648	638	-	1,922
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>\$ 138,147</b>	<b>\$ (79,916)</b>	<b>\$ 467,787</b>	<b>\$ 87,044</b>	<b>\$ 613,062</b>
<b>NONCASH TRANSACTIONS</b>					
Contributions of Capital Assets from Developers	\$ 2,880	\$ 8,400	\$ 11,544	\$ 3,360	\$ 26,184

See the accompanying notes to the financial statements

**ALPINE CITY, UTAH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

Financial Reporting Entity

Alpine City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

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

Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Building Inspection, Planning and Zoning

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

Parks and Recreation: Parks, Cemetery and Recreation

Government-wide and Fund Financial Statements

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

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

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

## NOTE 1 - (CONTINUED)

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

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

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

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

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

The City reports the following major governmental funds:

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

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

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

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

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

The *storm drain fund* accounts for the activities of the City's storm drain operations.

## NOTE 1 - (CONTINUED)

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

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

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

### Assets, Liabilities and Fund Equity

#### Cash and cash equivalents

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

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

#### Restricted assets

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

#### Capital assets

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

NOTE 1 - (CONTINUED)

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

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

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

Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. Compensated leave time may be accrued up to 160 hours. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 90 days of sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement. The City will pay the cost of the employee's health insurance for one month for every two days of sick leave remaining after the cash payout.

Long-term liabilities

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

Fund equity

In the fund financial statements, governmental funds report fund balances divided into five categories as follows:

Non-spendable – These amounts have already been spent. They match the total of inventory, prepaid expenses and permanent endowments (such as cemetery perpetual care).

Restricted – These amounts have restrictions that are externally imposed or are imposed by law. They include Class C road and impact fee amounts.

## NOTE 1 - (CONTINUED)

Committed – These amounts have city-imposed limitations. In order to be considered committed the government must make a formal action establishing the amount. All committed amounts must be spent by the end of the next fiscal year.

Assigned – These are funds that the government sets aside for a specific purpose. The city council is authorized to assign amounts to a specific purpose.

Unassigned – This category holds the remainder of the fund equity and is the amount available for the city to spend.

When faced with a choice, the City elects to use restricted, committed and assigned amounts before spending any unassigned amounts.

### Net assets

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

### Inter-Fund Transactions

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

### Deferred Revenue

Property taxes due November 30, 2010 and unpaid from 2009 are shown as deferred revenue.

### Estimates and Assumptions

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

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

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

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

## NOTE 2 - (CONTINUED)

### Capital Asset Differences

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

Land	\$ 18,774,865
Buildings and Structures	1,548,867
Improvements and Infrastructure	25,668,558
Machinery, Equipment and Vehicles	708,513
Less Accumulated Depreciation	<u>(11,889,418)</u>
Net Capital Asset Difference	<u>\$ 34,811,385</u>

### Long-Term Liability Differences

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

Accrued Interest	\$ (980)
Lease Payable	(37,327)
Long-Term Compensated Absences	<u>(292,404)</u>
Net Long-Term Liability Difference	<u>\$ (330,711)</u>

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

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

### Capital Outlay and Depreciation Differences

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

Loss on Sale of Asset	\$ (7,721)
Capital Outlay	1,945,150
Developer Contributions	40,376
Depreciation Expense	<u>(1,033,571)</u>
Net Difference	<u>\$ 944,234</u>

**NOTE 2 - (CONTINUED)**

Long-Term Debt Issuance and Repayment Differences

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

Accrued Interest	\$ 453
Principal Repayments	
Capital Leases	<u>17,279</u>
Net Long-Term Issuance and Repayment Differences	<u>\$ 17,732</u>

Other Revenue and Expense Differences

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. This change is reported in the statement of activities. The detail of this difference is reported below:

Change in Long-Term Compensated Absences	\$ <u>(2,170)</u>
--	-------------------

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information

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

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

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

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

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

### NOTE 3 - (CONTINUED)

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

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

#### Tax Revenues

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

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

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

### NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

#### Custodial Credit Risk

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2010, none of the City's bank balances of \$176,247 were uninsured and uncollateralized.

**NOTE 4 - (CONTINUED)**

Credit Risk

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

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

The following are the City's investments at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>
State of Utah	
Public Treasurer's Investment Fund (PTIF)	\$ 9,496,594
U.S. Treasuries	<u>756,096</u>
Total Investments	<u>\$ 10,252,690</u>

Interest Rate Risk

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

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

Deposits	\$ 166,247
Investments	10,252,690
Cash on Hand	<u>880</u>
Total	<u>\$ 10,419,817</u>
Cash and Cash Equivalents	\$ 5,835,046
Restricted Cash and Cash Equivalents	<u>4,584,771</u>
Total	<u>\$ 10,419,817</u>

## NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2010 are presented in the schedule below.

Property taxes are levied on January 1 of 2010, are due in November of 2010, and are budgeted for the 2010 fiscal year. Even though they are not intended to fund the 2010 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

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

The following is a summary of receivables at June 30, 2010:

	<u>Activities</u>	<u>Governmental Activities</u>	<u>Business-type Total</u>
Accounts Receivable	\$ 47,610	\$ 209,767	\$ 257,377
Property Taxes Receivable	933,532	-	933,532
Class C Road Receivable	67,794	-	67,794
Traffic Fines Receivable	7,285	-	7,285
PSD Rent Receivable	19,258	-	19,258
Franchise Taxes	<u>40,227</u>	<u>-</u>	<u>40,227</u>
 Total	 <u>\$ 1,115,705</u>	 <u>\$ 209,767</u>	 <u>\$ 1,325,472</u>

## NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2010.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 18,738,495	\$ 36,370	\$ -	\$ 18,774,865
Capital Assets being Depreciated				
Buildings and Structures	1,548,867	-	-	1,548,867
Improvements and Infrastructure	23,782,267	1,886,291	-	25,668,558
Machinery, Equipment and Vehicles	<u>765,230</u>	<u>62,865</u>	<u>(119,581)</u>	<u>708,513</u>
Total	44,834,858	1,985,526	(119,581)	46,700,803
Less Accumulated Depreciation	<u>(10,967,707)</u>	<u>(1,033,571)</u>	<u>111,860</u>	<u>(11,889,418)</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 33,867,151</u>	 <u>\$ 951,955</u>	 <u>\$ (7,721)</u>	 <u>\$ 34,811,385</u>

NOTE 6 – (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2010.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 391,905	\$ -	\$ -	\$ 391,905
Water Shares	30,900	-	-	30,900
Capital Assets being Depreciated				
Buildings and Structures	215,074	-	-	215,074
Improvements and Infrastructure	29,622,291	233,226	-	29,855,517
Machinery, Equipment and Vehicles	<u>427,167</u>	<u>87,038</u>	<u>(16,302)</u>	<u>497,903</u>
Total	30,687,337	320,264	(16,302)	30,991,299
Less Accumulated Depreciation	<u>(6,475,901)</u>	<u>(658,681)</u>	<u>16,302</u>	<u>(7,118,281)</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 24,211,436</u>	<u>\$ (338,417)</u>	<u>\$ -</u>	<u>\$ 23,873,019</u>

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

Government Activities	
General Government	\$ 33,007
Streets	876,473
Parks and Recreation	102,846
Cemetery	<u>21,245</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,033,571</u>
Business-type Activities	
Water	\$ 240,200
Sewer	120,574
Pressurized Irrigation	219,532
Storm Drain	<u>78,377</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 658,682</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Payable	\$ 858,564	\$ 58,244	\$ 916,808
Customer Deposits Payable	-	35,600	35,600
Accrued Interest Payable	980	77,104	78,084
Developer Completion Bonds Payable	70,058	-	70,058
Infrastructure Protection Bonds Payable	471,598	-	471,598
Annexation Reserve Payable	-	<u>147,576</u>	<u>147,576</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 1,401,200</u></b>	<b><u>\$ 318,524</u></b>	<b><u>\$ 1,719,724</u></b>

The City collects deposits from those wishing to develop subdivisions within the City. The City also collects deposits from developers to ensure that the City's infrastructure is protected during construction. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the accounts is returned to the developer after the related project is completed.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

The City is involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and civil rights violations, and disputes over development fees. The policy of the City is to vigorously defend all claims against the City. The insurance company covers most costs to defend the City against claims. However, the City has accrued contingent liabilities to cover potential losses which may arise from the various lawsuits and claims which may not be fully covered by insurance. At June 30, 2010, \$44,791 remained on the books for potential losses.

The City is nearing completion of a park at 100 south. They have a commitment to pay Hawker Enterprises, LLC for the remaining construction costs on that project.

**NOTE 9 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital Leases					
2007 Tymco Street Sweeper	\$ 54,605	\$ -	\$ (17,279)	\$ 37,326	\$ 18,186
Compensated Absences	<u>360,378</u>	<u>-</u>	<u>(5,650)</u>	<u>354,728</u>	<u>62,324</u>
	<u>\$ 414,983</u>	<u>\$ -</u>	<u>\$ (22,929)</u>	<u>\$ 392,054</u>	<u>\$ 80,510</u>
<u>Business-type Activities</u>					
Revenue Bonds					
2001 Water	\$ 6,505,000	\$ -	\$ (250,000)	\$ 6,255,000	\$ 260,000
Compensated Absences	67,205	1,922	-	69,127	69,127
Unamortized Bond Issuance Costs and Discounts	<u>(110,635)</u>	<u>-</u>	<u>6,638</u>	<u>(103,997)</u>	<u>-</u>
	<u>\$ 6,461,570</u>	<u>\$ 1,922</u>	<u>\$ (243,362)</u>	<u>\$ 6,220,130</u>	<u>\$ 329,127</u>

**NOTE 9 - (CONTINUED)**

Long-term debt and obligations payable at June 30, 2010 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
Leases Payable				
Tymco Street Sweeper	5.25%	2012	\$ 18,186	\$ 19,141
Compensated Absences			<u>62,324</u>	<u>292,404</u>
Total Governmental Activities Long-term Debt			<u>\$ 80,510</u>	<u>\$ 311,545</u>
 <u>Business-type Activities</u>				
Bonds Payable				
Water Revenue Bonds, Series 2001, Dated March 15, 2001, (original amount-- \$8,905,000)	3.20% to 5.25%	2026	\$ 260,000	\$ 5,995,000
Compensated Absences			69,127	-
Unamortized Bond Issuance Costs and Discounts			-	<u>(103,997)</u>
Total Business-type Activities Long-term Debt			<u>\$ 329,127</u>	<u>\$ 5,891,003</u>

The revenue bonds were issued to create a pressurized irrigation system and to improve the water system. The City pledges income, net of operating expenses, derived from the constructed assets to repay the revenue bonds. The bonds are payable solely from pressurized irrigation customer net revenues and are payable through 2026. Annual principal and interest payments are expected to require less than eighty percent of the total pressurized irrigation income.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 18,186	\$ 1,960	\$ 260,000	\$ 308,418	\$ 278,186	\$ 310,378
2012	19,140	1,005	275,000	295,953	294,140	296,958
2013	-	-	290,000	281,828	290,000	281,828
2014	-	-	300,000	266,703	300,000	266,703
2015	-	-	320,000	250,428	320,000	250,428
2016-2020	-	-	1,860,000	984,033	1,860,000	984,033
2021-2025	-	-	2,395,000	450,590	2,395,000	450,590
2026	-	-	555,000	13,875	555,000	13,875
	<u>\$ 37,326</u>	<u>\$ 2,965</u>	<u>\$ 6,255,000</u>	<u>\$ 2,851,828</u>	<u>\$ 6,292,326</u>	<u>\$ 2,854,793</u>

## **NOTE 10 - RESTRICTED FUND EQUITY**

The Class "C" Roads allotment from the state excise tax is restricted for construction and maintenance of City streets and roads. The City's bond covenants require certain restrictions of retained earnings in the water and sewer funds. Utah State statute requires unexpended impact fees held at year-end to be restricted for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been assigned for various capital projects.

## **NOTE 11 - RETIREMENT PLANS**

### Plan Description

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

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

### Funding Policy

In the Local Governmental Noncontributory Retirement System, Alpine City is required to contribute 11.66% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Alpine City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2010, 2009, and 2008 were \$92,009, \$92,708 and \$88,313, respectively. The contributions were equal to the required contributions for each year.

## **NOTE 12 - DEFERRED COMPENSATION PLANS**

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans.

The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 8.25% depending on the employee's contributions. The rate of City participation can be changed by the City Council. During the years ended June 30, 2010, 2009, and 2008 contributions totaling \$22,620, \$22,630, and \$31,495, respectively were made to the plan by employees and \$6,481, \$8,675, and \$20,869, respectively by the City.

**NOTE 12 – (CONTINUED)**

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 457 for city employees covered by the State's noncontributory retirement plans.

The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2010, 2009 and 2008 contributions totaling \$4,850, \$4,050 and \$1,900 respectively, were made to the plan by employees.

**NOTE 13 - RISK MANAGEMENT**

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

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

**NOTE 14 - OPERATING TRANSFER RECONCILIATION**

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ 9,500	\$ 510,000
Capital Improvements	510,000	-
Water	-	6,000
Sewer	-	3,500
	<u>\$ 519,500</u>	<u>\$ 519,500</u>

The transfers from the water and sewer fund to the general are for administration charges. The transfer from the general fund to the capital improvements fund is for future capital projects.

**NOTE 15 - SUBSEQUENT EVENTS**

Refunding Pressurized Irrigation Bonds

Due to declining bond rates, the City is in the process of refunding their 2001 Water Revenue Refunding Bonds. The refunding is intended to lower the interest rate which they are paying on the current bonds and to reduce the annual payments.

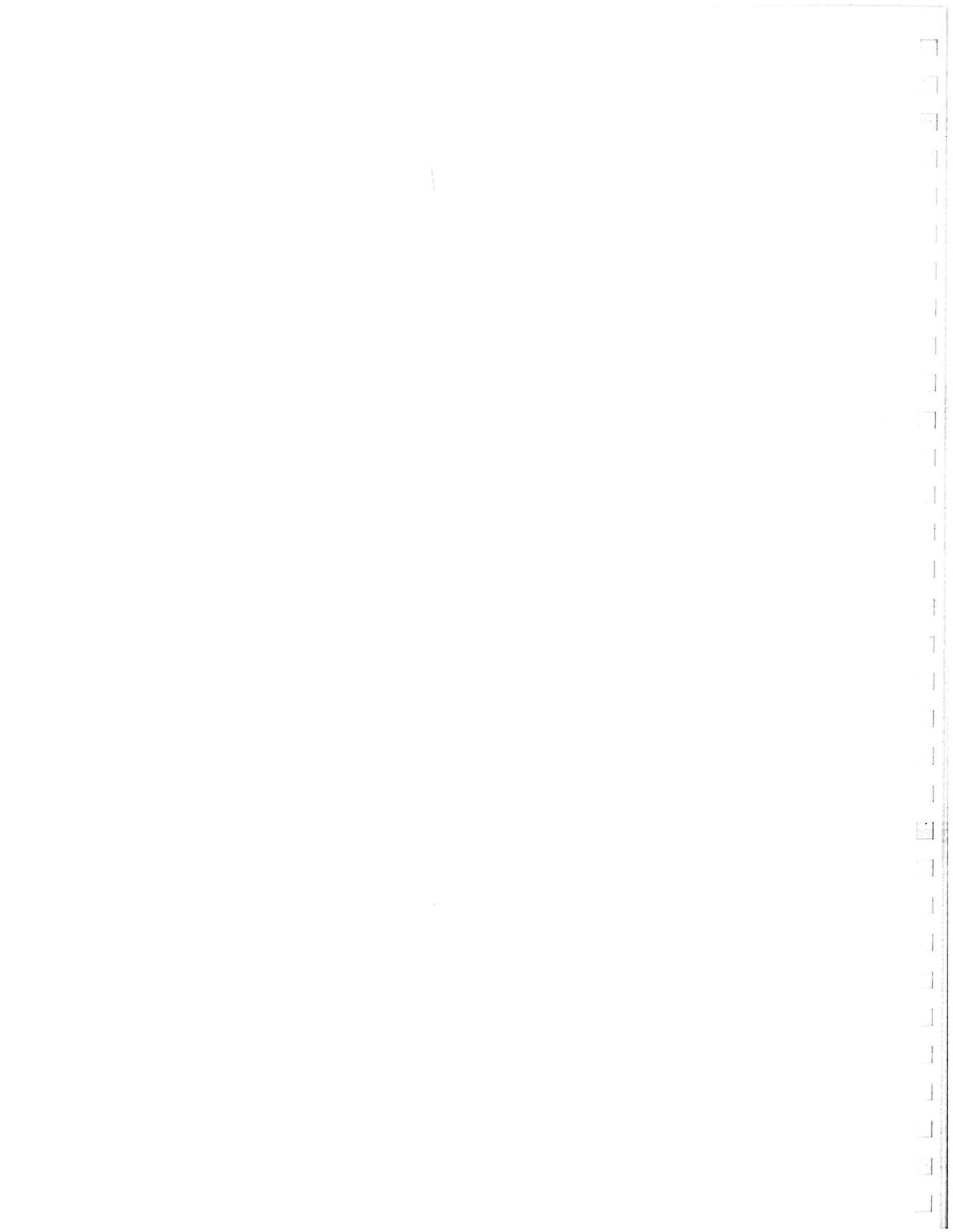
## NOTE 16 - IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

The City has implemented GASB Statement No. 51 (GASB 51) and GASB Statement No. 54 (GASB 54) during the 2010 fiscal year. Under GASB 51, the City now reports rights of way and public utility easements acquired during the as intangible assets. These intangible assets have indeterminate useful lives and are therefore, not subject to depreciation. Under GASB 54, governmental fund balances are presented with different classifications that have been used in prior years. A description of these new classifications is found in Note 1 under the Fund Equity heading. Implementation of this statement does not change the total fund balances, rather it changes the manner in which they are reported.

### Prior Period Adjustment

The Statement of Activities on pages 13 and 14 shows a prior period adjustment of \$1,754,393. When Governmental Accounting Standards Board Statement No. 33 was first adopted, the City followed the advice of the Utah State Auditor's Office regarding the recognition of property taxes receivable in the months following the end of the City's fiscal year. They advised that the deferral for property taxes receivable after the end of the year should be reversed for the Statement of Activities. In a State Auditor newsletter sent to cities this year, their advice was changed to state that deferred property taxes should be shown the same for the Statement of Activities as it is in the fund statements. The adjustment reflects the property tax income that was recognized in advance of being received on the prior year's financial statements.

**SUPPLEMENTARY INFORMATION**



**ALPINE CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

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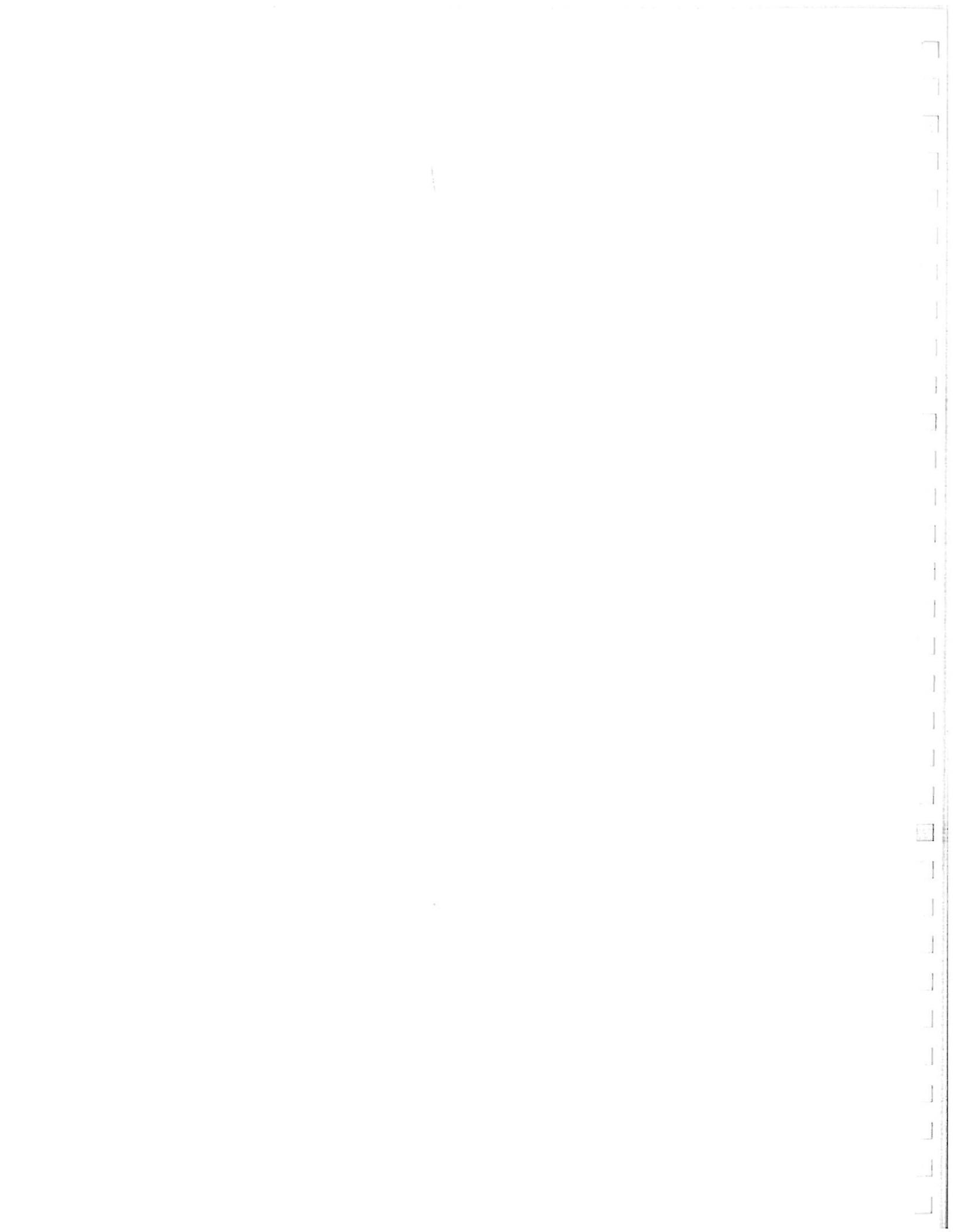
	Capital Projects - Impact Fees	Permanent Fund	Total Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>			
Restricted Cash and Cash Equivalents	\$ 110,454	\$ 415,763	\$ 526,217
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b>\$ 110,454</b>	<b>\$ 415,763</b>	<b>\$ 526,217</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 4,599	\$ 150	\$ 4,749
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b>4,599</b>	<b>150</b>	<b>4,749</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE</b>			
Restricted			
Impact Fees	105,855	-	105,855
Non-spendable	-	415,613	415,613
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL EQUITY</b>	<b>105,855</b>	<b>415,613</b>	<b>521,468</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 110,454</b>	<b>\$ 415,763</b>	<b>\$ 526,217</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

# ALPINE CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2010

	Capital Projects - Impact Fees	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Charges for Services	\$ -	\$ 13,050	\$ 13,050
Interest	2,759	2,690	5,450
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<b>2,759</b>	<b>15,740</b>	<b>18,500</b>
<b>EXPENDITURES</b>			
General Government	41,240		41,240
Capital Outlay	376,315	-	376,315
<b>TOTAL EXPENDITURES</b>	<b>417,555</b>	<b>-</b>	<b>417,555</b>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(414,795)	15,740	(399,055)
<b>OTHER FINANCING SOURCES (USES)</b>			
Impact Fees	68,209	-	68,209
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>68,209</b>	<b>-</b>	<b>68,209</b>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(346,586)	15,740	(330,846)
BEGINNING FUND BALANCE	452,441	399,873	852,314
ENDING FUND BALANCE	\$ 105,855	\$ 415,613	\$ 521,468

STATE LEGAL COMPLIANCE REPORT



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

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

October 4, 2010

The Honorable Mayor  
Members of the City Council  
Alpine City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alpine City, Utah, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued my report thereon dated October 4, 2010. As part of my audit, I have audited Alpine City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2010. The City received the following major State assistance programs from the State of Utah:

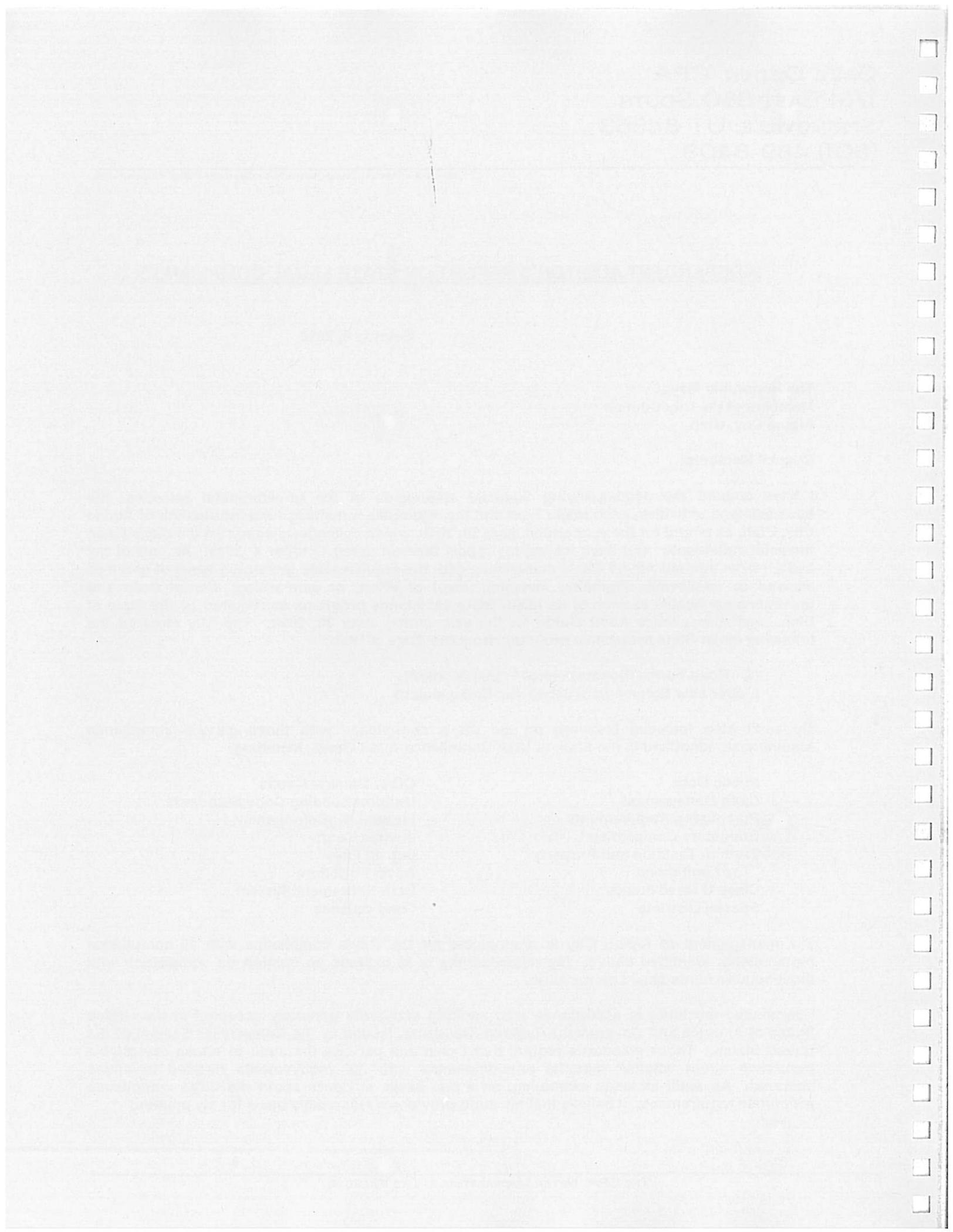
"C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

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

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

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

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



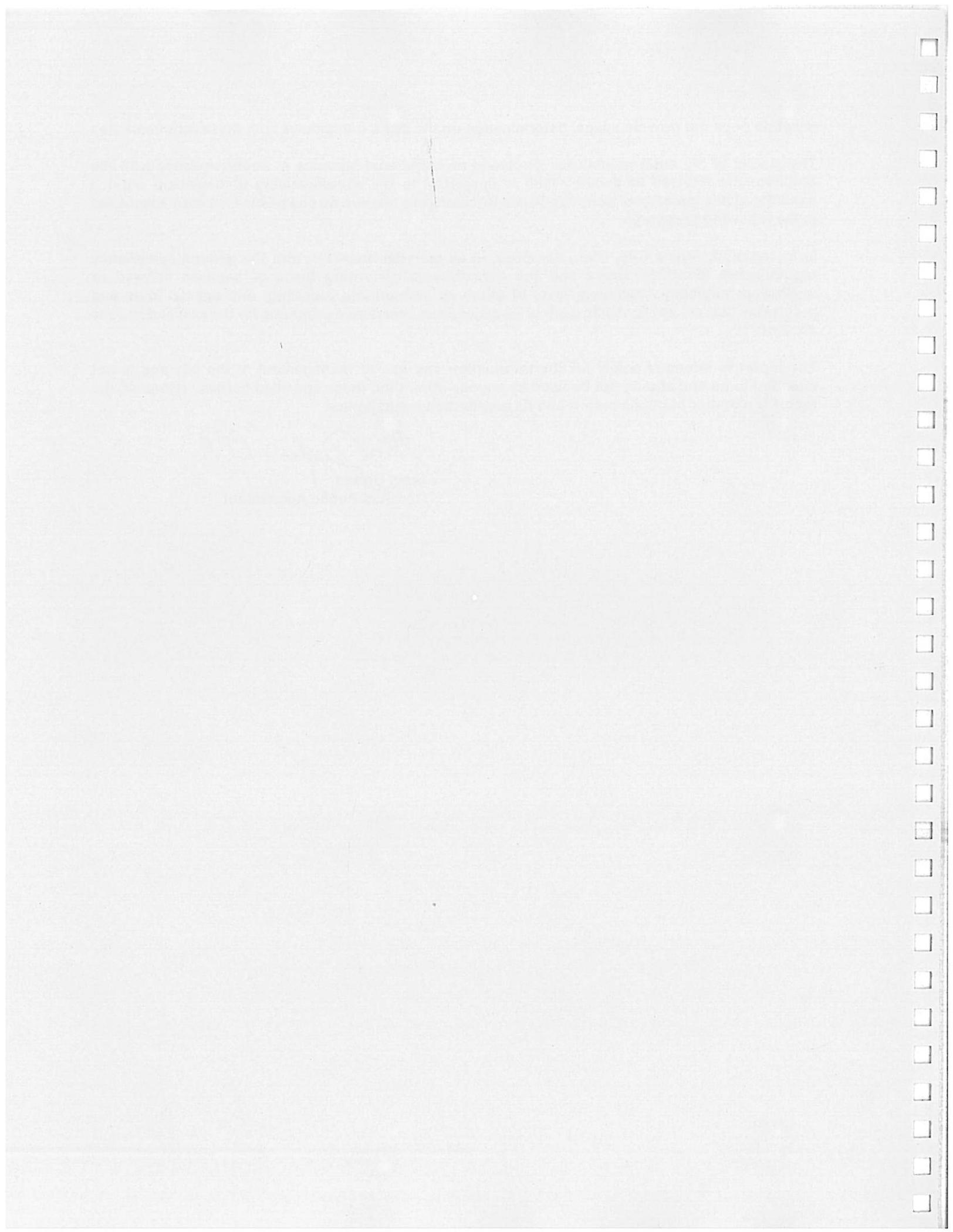
My audit does not provide a legal determination on the city's compliance with these requirements.

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

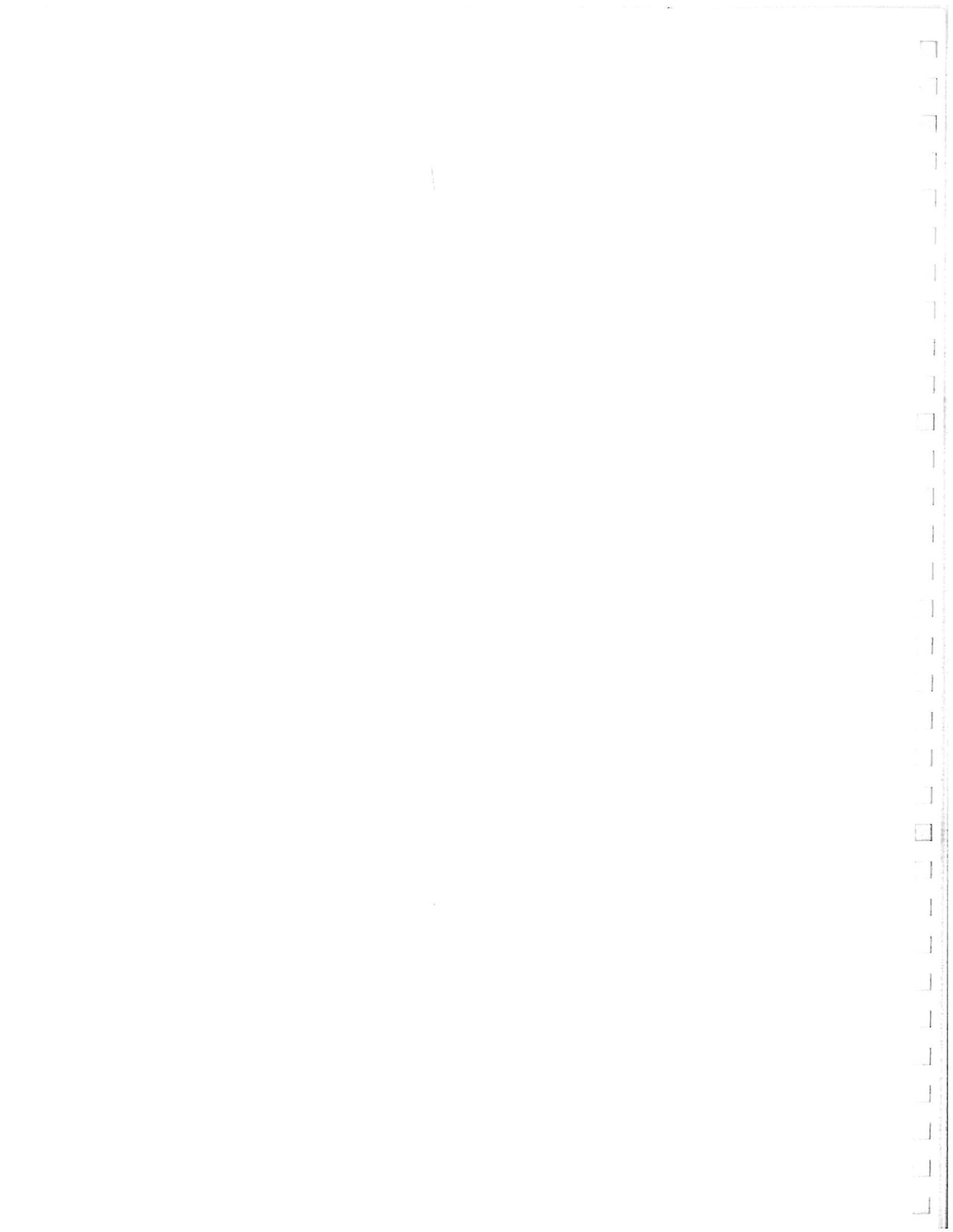
In my opinion, Alpine City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that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

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

 CPA  
Greg Ogden,  
Certified Public Accountant



**GOVERNMENT AUDITING STANDARDS REPORT**



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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

October 4, 2010

Honorable Mayor  
Members of the City Council  
Alpine City, Utah

Council Members:

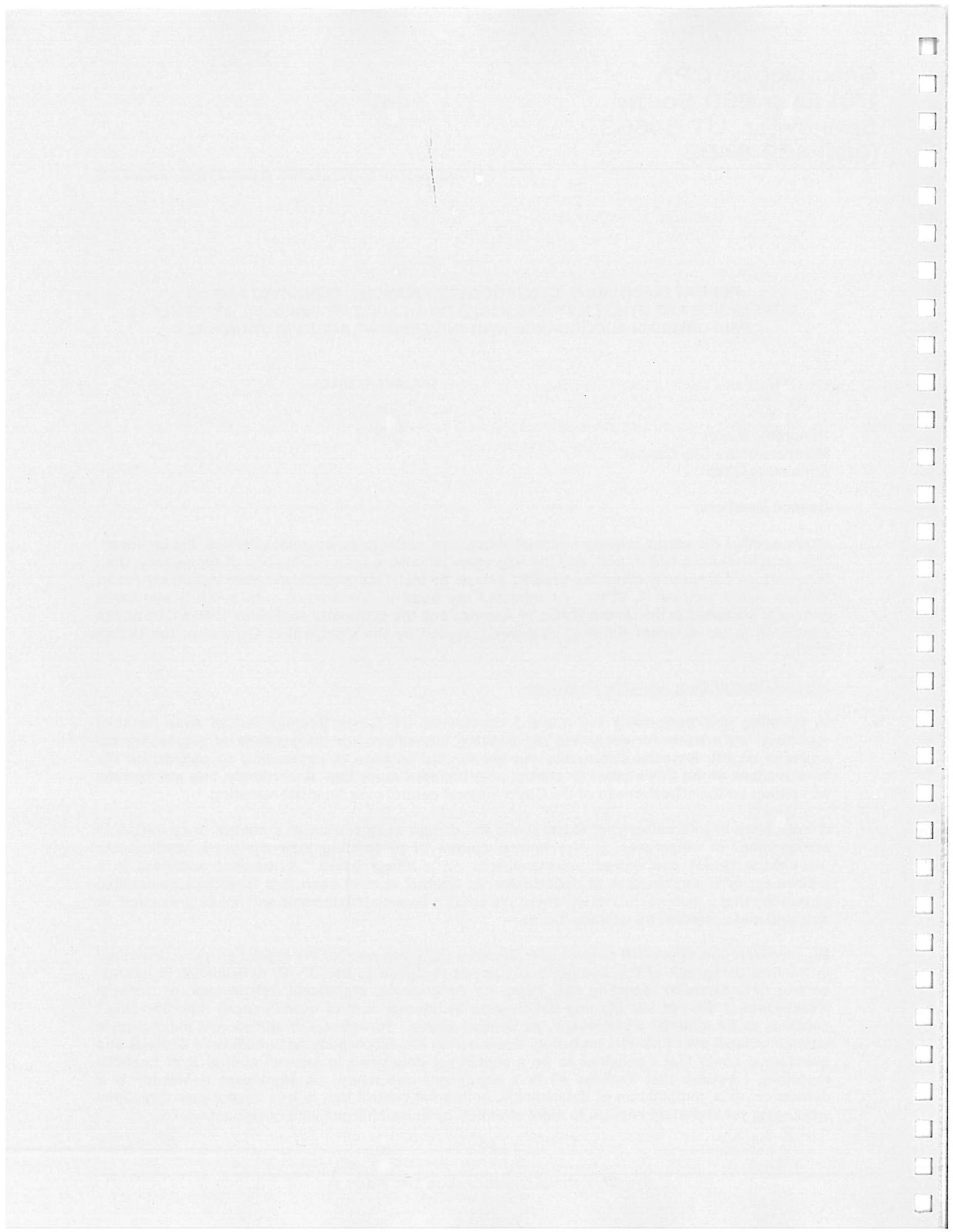
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alpine City, Utah (City), which collectively comprise the City's basic financial statements and have issued my report thereon dated October 4, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be a significant deficiency in internal control over financial reporting. I believe that findings #1 is a significant deficiency. 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.



Compliance and Other Matters

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

I noted certain matters that I reported to the City's management in the management letter dated October 4, 2010.

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

  
Greg Ogden  
Certified Public Accountant

